MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

Report on Audited Financial Statements

For the Year Ended June 30, 2015

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

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Memphis, Tennessee

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Memphis Area Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Memphis Area Transit Authority ("MATA"), a component unit of the City of Memphis, Tennessee, as of June 30, 2015 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of MATA as of June 30, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position, changes in financial position, and cash flows of MATA and do not purport to, and do not, present fairly the financial position of City of Memphis, Tennessee, as of June 30, 2015, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 10, MATA is economically dependent upon federal, state and local government grants and subsidies to finance its operations and its capital expenditures.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries, 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 MATA's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is 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 is also not a required part of the basic financial statements.

The supplemental schedules and the schedule 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 supplemental schedules and schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2015, on our consideration of MATA'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 MATA's internal control over financial reporting and compliance.

Banks, Finley, White & Co.

Memphis, Tennessee
December 28, 2015

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

This section of the Memphis Area Transit Authority's (MATA) annual financial report presents a discussion and analysis of MATA's financial performance for the fiscal year ended June 30, 2015, with selective comparison to the financial performance for the fiscal year ended June 30, 2014. Please read it in conjunction with the MATA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

- The 2015 fiscal year-end Net Position totaled $108,686,446, a decrease of $15,479,399 from the preceding year end. This overall decrease includes a $3,538,748 million increase in Unrestricted deficit, coupled with a $11,942,620 million decrease in Invested in Capital Assets.

- Total Liabilities increased by $11,877,970, due mainly to a $5,065,482 increase in "OPEB" liability to $28,169,591. Post-employment Benefits Other Than Pensions "OPEB" reflects the GASB #45 required current financial recognition and disclosure of actuarially-determined liabilities related to the past service of retired employees. Additionally, due to implementation of GASB #65, MATA recognized a net pension liability of $3,279,056.

- Total operating and non-operating revenue totaled $53,268,981. Additionally, capital grants were received in the amount of $2,532,344, which was a decrease from the $13,948,231 received in the previous year which funded MATA’s current year capital purchases and capital improvements.

- Operating expenses, excluding depreciation, of $49,811,527 represents a $10,456,800 decrease from the preceding year. This decrease is primarily due to a $10.1 million decrease in labor and fringes expenses, coupled with a $0.3 million decrease in utilities expense. The decrease in labor and fringes expenses results from GASB #68 deferral of pension contribution and pension expenses to future years.

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

OVERVIEW OF THE FINANCIAL STATEMENTS:

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the audited financial statements with corresponding note disclosures and other supplementary information.

The financial statements provide both long-term and short-term information about MATA'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 supplementary information that further explains and supports the information in the financial statements.

MATA's financial statements are prepared in conformity with U.S. generally accepted accounting principles and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of MATA are included in the Statement of Net Position.

The Statement of Net Position report MATA's net position and the percentage change from the preceding year.

FINANCIAL ANALYSIS OF MATA:

Net Position

Total Assets for fiscal year 2015 were $146,937,657, a decrease of $6,946,693 from the preceding year, primarily attributable to the $12.0 million reduction in capital assets, offset by an increase of $4.0 million in federal, state, and local grant receivables.

Deferred Outflows of Resources increased by $3,345,265 due to adoption of GASB #68 related to recording net pension liability for fiscal year 2015.

Total Liabilities for fiscal year 2015 were $41,596,476, an increase of $11,877,971 from the preceding year, primarily attributable to a $5.1 million actuarially determined increase in "OPEB" liability, to $28.2 million. Additionally, net pension liability increased by $3.3 million due to adopting GASB #68. In addition, a $2.5 million 90-day "bridge" loan is due to the City of Memphis.

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

Table 1
Memphis Area Transit Authority's Net Position

	2015	2014	Total Percentage Change 2015 - 2014
Current Assets	$ 15,530,105	$ 10,535,928	47.40 %
Restricted Assets	502,917	501,167	0.35 %
Other Assets	12,709	12,709	- %
Capital Assets, Net	130,891,926	142,834,546	(8.36)%
Total Assets	146,937,657	153,884,350	(4.51)
Deferred Outflows of Resources	3,345,265	-	100.00 %
Total Assets and Deferred Outflows of Resources	$ 150,282,922	$ 153,884,350	(2.34)%
Current Liabilities	$ 7,656,829	$ 6,614,396	15.76 %
Due to the City of Memphis	2,491,000		
Other Postemployment Benefits	28,169,591	23,104,109	21.92 %
Net Pension Liability	3,279,056	-	100.00 %
Total Liabilities	41,596,476	29,718,505	39.97 %
Invested in Capital Assets	130,891,926	142,834,546	(8.36)%
Restricted for self insurance	502,917	500,948	0.4 %
Unrestricted	(22,708,397)	(19,169,649)	18.5 %
Total Net Position	108,686,446	124,165,845	(12.5)%
Total Liabilities and Net Position	$ 150,282,922	$ 153,884,350	(2.3)%

Fiscal year 2015 year-end current assets were $15,530,105, a $4,994,177 increase from fiscal year 2014, largely due to the timing of receipt of cash.

Fiscal year 2015 current liabilities were $7,656,829, a $1,042,433 increase from fiscal year 2014, due to the increase in outstanding invoices yet to be paid as of June 30, 2015.

Changes in Net Position

Net position at June 30, 2015 was $108,686,446, a decrease of 12.5% from the previous year-end.

MATA's fiscal year 2015 operating revenues, which include revenues from passenger fares, advertising, concessions, and other sources decreased by (10.4)%, or $(1,059,727), due to decrease in farebox revenue.

Operating Expenses of $49,811,527 represent a $(10,456,800) decrease from the preceding year. This decrease is primarily due to $10.1 million decrease in labor and fringes expense, coupled with a $0.6 million decrease in material and services. The decrease in labor and fringes expenses results from GASB #68 deferral of pension contribution and pension expenses to future years.

Contributed capital of $2,532,345 consists of grant revenue received for capital projects, particularly, MATA's repairs and streetscape improvements for the Main-To-Main multimodal connector project. Also roof replacements and other structural work was performed on maintenance and bus wash rack facilities.

See next page

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

Table 2
Changes in Memphis Area Transit Authority's Net Position

	2015	2014	Total Percentage Change 2015 - 2014
Operating Revenues	$ 9,120,978	$ 10,180,705	(10.4)%
Operating Expenses, excl Depreciation	49,811,527	60,268,327	(17.4)%
Depreciation	14,451,717	14,457,096	- %
Total Operating Expenses	64,263,244	74,725,423	(14.0)%
Operating Income (Loss)	(55,142,266)	(64,544,718)	(14.6)%
Non-Operating Revenues	44,148,003	43,934,474	0.5 %
Contributed Capital	2,532,345	13,948,231	(81.8)%
Change in Net Position	(8,461,918)	(6,662,113)	27.0 %
Total Net Position, Beginning of Year	124,165,845	130,827,958	(5.1)%
Prior Period Adjustment	(7,017,481)	-	100.0 %
Total Net Position, Beginning of Year, as Restated	117,148,364	130,827,958	(10.5)%
Total Net Position, End of Year	$ 108,686,446	$ 124,165,845	(12.5)%

MATA's fiscal year 2015 Operating Revenue was lower than Budget by $576,292, due to lower ridership thus resulting in lower farebox revenues. Non-Operating Revenue also was lower than Budget by $(686,945).

Operating expenses, excluding Depreciation, totaled $49,811,527. Budget variances netted to a unfavorable amount to $8,576,943, due primaril to the GASB #68 reclassification of labor and fringes expenses to deferred outflows of resources. Service costs exceeded budget by $1.9M due to higher operating costs, offset by vehicle maintenance costs – labor and parts – which were lower than budget by $1.09M.

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

Table 3
Schedule of Expenses and Revenues
Actual vs. Budget
For the Fiscal Year Ended June 30, 2015

	Actual	Budget	Variance Favorable (Unfavorable)
Revenue:			
Farebox revenue	$ 8,301,401	$ 8,427,282	$ (125,881)
Special transit fees	6,148	3,820	2,328
Charter revenue	4,100	8,375	(4,275)
Auxiliary transportation revenue	444,246	531,596	(87,350)
Non-transportation revenue	365,083	726,197	(361,114)
Total Operating Revenue	9,120,978	9,697,270	(576,292)
Non-Operation Revenue:			
City of Memphis subsidy	23,093,474	23,055,880	37,594
Federal grants	12,424,015	12,691,928	(267,913)
State of Tennessee grants	7,529,534	7,508,707	(7,013)
Investment, misc. income	1,100,980	204,543	197,530
Total Non-Operating Revenue	44,148,003	43,461,058	686,945
Total Revenue	$ 53,268,981	$ 53,158,328	$ 110,653
Expenses:			
Labor	19,437,260	20,263,723	826,463
Fringes	14,052,869	22,803,681	8,750,812
Services	5,725,755	3,808,700	(1,917,055)
Material and supplies	8,478,107	8,991,592	513,485
Utilities	1,095,817	1,276,881	181,064
Property and liability	817,621	1,025,005	207,384
Leases and rentals	7,152	5,473	(1,679)
Miscellaneous	196,946	213,415	16,469
Total Expenses	$ 49,811,527	$ 58,388,470	$ 8,576,943

MEMPHIS AREA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2015 and 2014

Table 4
Memphis Area Transit Authority's Contributed Capital by Funding Source

	2015	2014	Total Change 2015 - 2014
Funding Sources:			
Federal Transit Authority	$ 2,029,387	$ 11,159,622	$ (9,130,235)
Tennessee Department of Transportation	236,503	1,105,546	(869,043)
City of Memphis	266,455	1,683,063	(1,416,608)
Greyhound Corporation	-	-	-
Total Contributed Capital	$ 2,532,345	$ 13,948,231	$ (11,415,886)

Contributed Capital

Contributed capital of $2,532,345 consists of grant revenue received for capital projects, particularly, MATA's repairs and streetscape improvements for the Main-To-Main multimodal connector project. Also, roof replacements and other structural work was performed on maintenance and bus wash rack facilities.

Additional Financial Information:

This financial report is designed to provide the MATA Board of Commissioners, the City of Memphis, the State of Tennessee and other interested parties with a general overview of MATA's financial position and the results of MATA's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Office, Memphis Area Transit Authority, 1370 Levee Road, Memphis, Tennessee 38108.

MEMPHIS AREA TRANSIT AUTHORITY

Statement of Net Position
As of June 30, 2015

ASSETS

	2015
CURRENT ASSETS:	
Cash and cash equivalents	$ 4,247,026
Charter and other receivables, less allowances for doubtful accounts of $76,723	286,855
Federal, state, and local grants	7,809,869
Inventories	2,883,159
Prepaid expenses	303,196
Total Current Assets	15,530,105
NON-CURRENT ASSETS:	
Non-depreciable capital assets	2,731,018
Depreciable capital assets, less accumulated depreciation	128,160,908
Restricted investments	502,917
Other assets	12,709
Total Non-Current Assets	131,407,552
TOTAL ASSETS	146,937,657
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contribution	2,306,929
Pension expense	1,038,336
Total Deferred Outflows of Resources	3,345,265
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 150,282,922

LIABILITIES AND NET POSITION

	2015
CURRENT LIABILITIES:	
Accounts payable	$ 2,964,937
Due to MTM	3,936,091
Accrued expenses	356,189
Receipts of prepayments	399,612
Total Current Liabilities	7,656,829
NON-CURRENT LIABILITIES:	
Due to City of Memphis	2,491,000
Other postemployment benefits	28,169,591
Net pension liability	3,279,056
Total Non-Current Liabilities	33,939,647
TOTAL LIABILITIES	41,596,476
NET POSITION:	
Invested in capital assets	130,891,926
Restricted for self insurance	502,917
Unrestricted deficit	(22,708,397)
Total Net Position	108,686,446
TOTAL LIABILITIES AND NET POSITION	$ 150,282,922

The accompanying notes are an integral part of these financial statements

MEMPHIS AREA TRANSIT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	2015
OPERATING REVENUE	$ 9,120,978
OPERATING EXPENSES OTHER THAN DEPRECIATION:	
Personal services	34,320,738
Materials, supplies, and services	15,490,789
Total Operating Expenses Other Than Depreciation	49,811,527
OPERATING LOSS BEFORE DEPRECIATION	(40,690,549)
DEPRECIATION EXPENSE	14,451,717
OPERATING LOSS	(55,142,266)
NON-OPERATING REVENUES:	
City of Memphis subsidy	23,093,474
Federal grants	12,424,015
State grants	7,529,534
Other income	1,100,980
Total Non-Operating Revenues	44,148,003
LOSS BEFORE CAPITAL CONTRIBUTIONS	(10,994,263)
CAPITAL CONTRIBUTIONS:	
Contributed Capital - Federal	2,029,387
Contributed Capital - State	236,503
Contributed Capital - City/Local	266,455
Total Capital Contributions	2,532,345
Change in Net Position	(8,461,918)
Total Net Position - Beginning	124,165,845
Prior Period Adjustment: Effect of adopting GASB 68- Net Pension Liability	(7,017,481)
Total Net Position - Beginning, as restated	117,148,364
Total Net Position - Ending	$ 108,686,446

The accompanying notes are an integral part of these financial statements

MEMPHIS AREA TRANSIT AUTHORITY
Statement of Cash Flows

For the Year Ended June 30, 2015

	2015
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 9,160,265
Cash payments to suppliers	(14,516,039)
Cash payments to employees and professional contracts for services	(36,885,758)
Net Cash Provided (Used) by Operating Activities	(42,241,532)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Operating grants received	16,012,134
City of Memphis subsidy	23,093,474
Due to City of Memphis	2,491,000
Other revenue	1,100,980
Net Cash Provided (Used) By Non-Capital Financing Activities	42,697,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Contributions	2,532,345
Acquisition and construction of capital assets	(2,564,211)
Net Cash Provided (Used) By Capital and Related Financing Activities	(31,866)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Change in investments	(1,750)
Net Cash Provided By Investing Activities	(1,750)
Net increase (decrease) in cash and cash equivalents	422,440
Cash and cash equivalents at beginning of year	3,824,586
Cash and cash equivalents at end of year	$ 4,247,026
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (55,142,266)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	14,451,717
Prior period adjustment	(7,017,481)
Loss on disposal of assets	55,114
(Increase) Decrease Changes in Assets and Deferred Outflows of Resources:	
Charter and other receivables	(87,074)
Inventories	(524,901)
Prepaid expenses	(18,347)
Deferred outflows of resources	(3,345,265)
Increase (Decrease) Changes in Liabilities:	
Accounts payable and accrued expenses	1,462,884
Due to MTM	(546,812)
Deferred revenue	126,361
OPEB liability	5,065,482
Net pension liability	3,279,056
Total Adjustments	12,900,734
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (42,241,532)

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization
Memphis Area Transit Authority ("MATA") was established to provide for the operation and management of a mass transit system for the City of Memphis, Tennessee (the "City"). The MATA Board of Commissioners consists of seven members nominated by the City Mayor and approved by the City Council for terms of three years. MATA's annual budgets are approved by the City Council. MATA must also obtain the approval of the City Council before incurring certain obligations. Accordingly, MATA is a component unit of the City and is included in the financial statements of the City. These financial statements are not intended to present the financial position, results of operations, or cash flows of the City or the pension and other postemployment benefit plans discussed in Notes 7 and 8.

Basis of Accounting
The financial statements of MATA have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized as earned and expenses are recognized as incurred.

MATA complies with Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Accounting," and does not apply Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents
MATA considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Charter and Other Receivables
Charter and other receivables represent charters, tours, and other special service revenue due and uncollected at June 30, 2015. MATA uses the allowance method for recording bad debts.

Inventories
Inventories, accounted for under the consumption method, consist of materials and supplies and are stated at the lower of cost or market. Cost is determined by the average cost method.

Capital Assets
Capital assets are stated at cost. Depreciation is computed using the straight line method over the following estimated useful lives: buildings and improvements, 30 years; buses and other revenue vehicles, 4 to 12 years; and machinery and equipment, 3 to 8 years. Amounts expended for maintenance and repairs are charged to expense as incurred, and expenditures for major renewals and betterments are capitalized. Assets with a cost equal to or in excess of $3,000 and with a useful life equal to or in excess of three (3) years are capitalized. Assets with a cost equal to or in excess of $5,000 and with a useful life of more than one year are capitalized.

Restricted Investments
Investments at June 30, 2015 consist of a federal home loan mortgage debt security.

Receipts of Prepayments
Receipts of Prepayments primarily represents funds received from the Environmental Protection Agency to offset lost revenue for fare reductions on future high ozone days.

Capital Contributions
Contributions from federal, state, City governments, and private enterprises for the purpose of purchasing capital assets are recorded as capital contributions in the statement of revenue, expenses, and changes in net position.

Proceeds in excess of $5,000 from sales of assets (other than buses) purchased with capital contributions generally must be returned to the contributing entity, in which case no gain or loss on disposition is recognized by MATA. Proceeds from the sale of buses purchased with capital contributions are not required to be returned if the proceeds are used for the purchase of new buses.

Revenue
Operating revenue, primarily daily passenger fares, is recognized when received. Subsidies and non-capital grants utilized to finance current operations are recorded as non-operating revenue when all eligibility requirements imposed by the provider are met. Investment income, primarily interest, is recognized when earned.

Restricted resources include funds restricted for use by grantors' stipulations that limit the use of such funds. Unrestricted resources are first applied when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Income Taxes
MATA is exempt from payment of federal and state income, property and certain other taxes.

Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

New Accounting Standards Adopted
In fiscal year 2015, MATA adopted the new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pension Plans.

Statement No. 68, *Accounting and Financial Reporting for Pension Plans,* revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Statement No. 68 is effective for financial statements for fiscal years beginning after June 15, 2014.

Prior to implementing GASB 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Pension liabilities resulted from the difference between contributions required and contributions made. GASB 68 requires employers to recognize a liability as employees earn their pension benefits. For the first time, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plans. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of sources, deferred inflows of resources, and pension expense. The employer's proportionate share of the collective net pension liability will appear on the face of the employer's accrual-based financial statements along with the employers' other long-term liabilities.

The effect of the implementation of GASB 68 is discussed and disclosed in the Note 6 with the intent to provide reads of the financial statements with more detailed information. The Required Supplementary Information (RSI) schedules are now presented in accordance with GASB 68.

In fiscal year 2015, MATA adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* GASB Statement No. 70 requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. For fiscal year 2015, MATA reviewed the requirements and determined that it did not have guarantees that met the qualifications of GASB 70.

NOTE 2 - CASH DEPOSITS:

Cash Deposits

Cash deposits consist of interest bearing and non-interest bearing demand accounts. Depositories are authorized by the Board and include banks and trust companies that are authorized to conduct business and maintain principal offices in the State of Tennessee.

Custodial credit risk for cash and cash equivalent deposits is the risk that in the event of a financial institution's failure, MATA would not be able to recover its deposits. Deposits are exposed to credit risk if they are not insured or not collateralized. MATA's cash and cash equivalent deposits may be covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the State. The FDIC insures the first $250,000 of MATA's deposits at each financial institution. Deposit balances over $250,000 must be collateralized at a percent ranging from 90% to 115% by the collateral pool for those participating financial institutions. The collateral must be obligations of the State of Tennessee, United States, or federal agencies whose principal and interest are guaranteed by the United States. If collateral is not sufficient, a corporate surety bond must be used for collateral and the bond must be written by a surety company authorized to do business in the State of Tennessee.

NOTE 3 - INVESTMENTS:

Depositories of MATA funds for investment purposes will be designated by Resolution of Board and will be required to furnish adequate security to protect MATA's interest. MATA's investment policies are governed by the state and local statues. Investments at June 30, 2015 consist of a federal home loan mortgage obligation.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. MATA limits its exposure to interest rate risk by diversifying its investments by security type and institution and by limiting the maturity of individual investments.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To control credit risk, credit quality guidelines have been established. Authorized investments are established by the Board and are summarized below:

- Time Deposits Accounts
- Certificates of Deposit
- Obligations of the State of Tennessee
- Obligations of the United States
- Obligations of federal agencies if principal and interest is guaranteed by the United States
- Repurchase agreements involving the purchase and sale of direct obligations of the United States (maximum 30 days)
- Bankers' acceptances (maximum 180 days)
- Commercial paper with Moody's P-1 rating (maximum 180 days)
- Local Government Investment Pool (LGIP) administered by the Tennessee State Treasurer

Custodial and concentration of credit risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, MATA will not be able to recover the value of its investment or collateral securities that are in possession of another party. Investments are exposed to such risk if the investments are uninsured or not registered in the name of MATA and are held by either the counterparty or their trust department or agent but not in the name of MATA. To limit its exposure, MATA's investment policy requires that all securities be held in safekeeping in MATA's name by a third-party custodial financial institution.

MATA's investment policy provides that authorized banks, brokers and dealers must be credit worthy. Their financial statements will be reviewed by MATA at least annually to determine credit worthiness. Concentration of investments is avoided. The general rule is to not place more than $2,000,000 in overnight investments with anyone institution. No more than 25% of MATA's investments at any one time will be placed in money market mutual funds, bankers' acceptances or commercial paper.

The investments at June 30, 2015 are pledged to the State of Tennessee under a performance bond for MATA's workers' compensation insurance and are designated as restricted by the Board at June 30, 2015.

NOTE 4 - CAPITAL ASSETS:

The changes in capital assets for the year ended June 30, 2015 are as follows:

	Balance June 30, 2014	Additions	Deductions	Transfers/ Reclassifications	Balance June 30, 2015
Capital Assets,					
Being Depreciated:					
Construction in progress	$ -	$ 1,655,812	$ -	$ -	$ 1,655,812
Building and improvements	170,773,711	121,501	(2,143)	-	170,893,069
Buses and other revenue vehicles	89,721,106	211,418	(9,508,579)	-	80,423,945
Machinery and equipment	26,906,014	575,480	(634,169)	-	26,847,325
Total Capital Assets, Being Depreciated	287,400,831	2,564,211	(10,144,891)	-	279,820,151
Less Accumulated					
Depreciation for:					
Building and improvements	(77,909,316)	(6,102,931)	2,053	-	(84,010,194)
Buses and other revenue vehicles	(53,972,293)	(5,540,062)	9,687,399	-	(49,824,956)
Machinery and equipment	(15,415,694)	(2,808,724)	400,325	-	(17,824,093)
Total accumulated depreciation	(147,297,303)	(14,451,717)	10,089,777	-	(151,659,243)
Total capital assets, being depreciated, net	140,103,528	(11,887,506)	(55,114)	-	128,160,908
Capital Assets,					
Not Being Depreciated:					
Land	2,731,018	-	-	-	2,731,018
Total Capital Assets, Not Being Depreciated	2,731,018	-	-	-	2,731,018
TOTAL CAPITAL ASSETS, NET	$ 142,834,546	$ (11,887,506)	$ (55,114)	$ -	$ 130,891,926

Depreciation expense for the year ended June 30, 2015 was $14,451,717.

See next page

NOTE 5 - MANAGEMENT AGREEMENT:

MATA is operating under an agreement with First Transit Group ("First Group"), which requires First Group to furnish management and advisory services reasonably required and necessary for the efficient operation of the mass transit system under policies, standards and procedures established by MATA. The agreement provides for annual management fees ranging from $195,744 to $222,300 payable in monthly installments. Management fees totaled $214,283 for the year ended June 30, 2015.

Mid-South Transportation Management, Inc. ("MTM"), a wholly-owned subsidiary of First Group, is the employer of all MATA staff and personnel. MATA reimburses MTM for all personnel costs incurred by MTM and is responsible for all operating expenses of the mass transit system. MATA has the right to purchase the capital stock of MTM at any time for the original costs of incorporation incurred by First Group which was nominal. In addition, upon termination or expiration of the contract between First Group and MATA, all of the employees and related employment obligations revert to MATA or its designee.

All personnel services for 2015 are reimbursed to MTM. The amounts due to MTM at June 30, 2015 consisted of the following:

	2015
Accrued payroll	$ 325,303
Accrued vacation	716,482
Accrued pension contribution	2,056,783
Accrued payroll taxes	71,533
Insurance claims payable	765,990
Total	$ 3,936,091

NOTE 6 - MTM PENSION PLAN:

Plan Description

The following brief description of the Employees' Retirement Plan of Mid-South Transportation Management, Inc. (the "Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. The Plan was amended effective July 1, 2008 to incorporate changes that effect current members and new hires employed on or after July 1, 2008. The members hired on or before June 30, 2008 are under Plan A, and members and re-employed individuals who were hired on or after July 1, 2008 are under Plan B. The Plan is closed to new entrants as of July 1, 2015.

The Plan is a single-employer defined benefit pension plan covering substantially all employees of Mid-South Transportation Management, Inc. ("MTM"). It is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Plan is administered by the MTM Retirement Board which consists of three members appointed by the Executive Committee of the Amalgamated Transit Union (ATU), Local 713, and three members appointed by MTM, and it issues a standalone audit report. This report may be obtained by contacting Memphis Area Transit Authority at (901) 722-7162.

The Plan can be terminated by the employer in certain limited situations and/or by 75% of the participants. If the Plan is terminated, the net assets of the Plan will be distributed to the participants in an order of priority determined in accordance with ERISA and its applicable regulations and with the Plan documents as follows:

1. Each active participant will be paid his contributions and interest thereon.

2. Benefits to members who began receiving benefits at least three years before Plan termination (including benefits which would have been received for at least three years if the participant had then retired) based on Plan provisions in effect five years prior to termination.

3. Other vested benefits insured by the Pension Benefit Guaranty Corporation up to the applicable limitations.

4. All other uninsured vested benefits.

5. All other benefits under the Plan.

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation ("PBGC") if the Plan terminates. Generally, the PBGC guarantees most vested, normal-age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC does not guarantee all types of benefits under the Plan, and the amount of benefit protection is subject to certain limitations. Vested benefits under the Plan are guaranteed at the level in effect on the date of the Plan's termination, subject to a statutory ceiling on the amount of an individual's monthly benefit.

Whether all participants receive the benefits should the Plan be terminated at some future time will depend on the sufficiency, at that time, of the Plan's net assets to provide these benefits, the priority of those benefits to be paid, and the level and type of benefits guaranteed by the PBGC at that time. Some benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may be fully or partially provided for by the existing assets and the PBGC guaranty, while other benefits may not be provided for at all.

Details of the Plan's agreement are published and made available to participants in the Summary Plan Description.

At January 1, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	420
Terminated members entitled to but not yet receiving benefits	69
Current active members	444
Total	933

Funding policy

Effective July 1, 2008, both Plan A and Plan B require contributions from participants of 7.5% and the employer of 8.07%, but not less than annual minimum required. The employers' contribution was 24.20% in 2014 and 23.54% in 2013. Present employees' accumulated contributions at January 1, 2014, beginning of plan year, was $18,872,244 including interest credit on an interest rate of 2.10% compounded annually. MTM's funding policy is to make annual contributions to the Plan in amounts that are estimated to remain a constant percentage of employees' compensation each year, such that, when combined with employee's contributions, all employees' benefits will be fully provided for by the time they retire. The employer's contributions for 2014 and 2013 exceeded the minimum required contribution in compliance with ERISA.

The primary factors in the benefit calculation formula are participants' years of service and earnings. Participants become 100% vested in accrued benefits derived from employer contributions after five years of service.

Net Pension Liability

MATA's net pension liability as of January 1, 2014 (latest valuation date), and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The components of the net pension liability at June 30, 2015, are as follows.

Total pension liability	$ 108,153,162
Plan fiduciary net position	(104,874,106)
Net pension liability	$ 3,279,056
Plan fiduciary net position as a percentage of total pension liability	97.0 %

The Schedule of Changes in Net Pension Liability which depicts total pension liability, plan fiduciary net position, and net pension liability is presented as required supplementary information following the Notes to the Financial Statements.

Actuarial methods and assumptions

The more significant assumptions underlying the actuarial computations as of January 1, 2014 are stated below. These actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated Plan benefits. For the January 1, 2014 valuation, there were no changes in actuarial assumptions.

Funding method: Unit Credit actuarial cost method
Assumption rate of return: 7%
Assumed rate of increase in compensation levels: 5.0%
Mortality rates:

Accounting -- UP - 1984 Mortality Table with separate rates for males and females
Funding -- RP-2000 Mortality Table with separate rates for males and females, and for annuitants and non-annuitants, as prescribed by IRS.

Retirement age: It was assumed that active participants will retire according to the following rates of retirement:

Age	Rate
55-57	1%
58-59	2%
60-61	5%
62	20%
63-64	10%
65+	100%

Discount Rate: The discount rate used to measure the total pension liability is 7.0%. The strict funding requirements imposed by the Plan's status as a single employer ERISA plan ensures that into the foreseeable future, contributions will be made based on a lower interest rate than the long-term expected return on assets, with gains and losses amortized over seven years. Because these funding requirements relatively quickly result in funding exceeding that needed to fund benefits for current participants assuming 7.0% return, and also because the exact amount for future contributions depends on volatile interest rates and interest rate relief, it was not deemed necessary to develop a cash flow projection for GASB 67 and 68 purposes.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Plan, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Net Pension Liability	$ 13,943,434	$ 3,279,056	$ (5,871,106)

See next page

Deferred Outflows of Resources and Deferred Inflows of Resources

The balance of deferred inflows and outflows of resources after recognition in current year expense are $3,345,265 and $0, respectively. The determination of resources of deferred inflows and outflows of resources for the fiscal year ended June 30, 2015, is as follows:

Determination of Resources of Deferred Outflows and Resources of Deferred Inflows for June 30, 2015

	Balances at June 30, 2015					
	Established in Fiscal Year ending June 30,	Loss	(Gain)	Cumulative Amounts Recognized in Expense June 30, 2015	Deferred Outflows of Resources	Deferred inflows of Resources
		(a)	(b)	(c)	(d) = (a - c)	(e) = (b - c)
a. Experience (Gains) and Losses	2015	$ -	$ -	$ -	$ -	$ -
b. Changes in Assumptions	N/A	$ -	$ -	$ -	$ -	$ -
c. Investments (Gains) and Losses	2015	$ 1,038,336	$ -	$ -	$ 1,038,336	$ -
d. Collective Deferred Outflows/(Inflows) of Resources: a+b+c		$ 1,038,336	$ -	$ -	$ 1,038,336	$ -

Contributions of $2,306,929 were reported as deferred outflows of resources related to pensions resulting from MTM contributions subsequent to the December 31, 2014 measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Future Amortization of Deferred Outflows and Deferred Inflows - The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension recognized in pension expense is as follows:

Year Ending June 30,	
2016	$ 259,584
2017	259,584
2018	259,584
2019	259,584
2020	-
Thereafter	-
Total	$ 1,038,336

Pension Expense - The pension expense under GASB 68 for the fiscal year ending June 30, 2015 is $1,873,242. This year marks the first year that the pension expense was determined pursuant to GASB 68 Implementation.

Employer Service Cost	$	2,322,014
Interest Cost		7,256,522
Expected Return on Assets		(5,700,157)
Changes in Benefit Terms		(966,801)
Recognition of deferred (inflows)/outflows of resources		(1,038,336)
	$	1,873,242

The year-one implementation of GASB 68 in regard to calculation and presentation of deferred outflows and inflows of resources also affected the calculation and presentation of pension expense.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS:

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expenses/expenditures and related liabilities (assets) and note disclosures. This Statement requires recognition of the cost of other postemployment benefits during the periods when employees render their services, disclosure about actuarially accrued liabilities related to past services, and the status and progress of funding the benefits.

Plan description

MATA provides medical and life insurance benefits to eligible retired MATA employees and their dependents. Post-retirement medical coverage is offered through a Network (NET) medical plan. The plan also pays a $7,000 life insurance benefit. The related medical claims are managed by a contracted third-party.

See next page

Funding policy

The contribution requirements of the plan members and MATA are established and may be amended in negotiation with the labor bargaining union. Monthly premium rates paid by eligible participants for medical coverage for the period October 1, 2014 to September 30, 2015 are as follows:

	NET
Pre-Medicare participant:	
Retiree	130
Retiree plus dependent(s)	200
Family	240
Medicare eligible participant:	
Retiree	166
Retiree plus dependent(s)	200
Family	312

The portion of the premium paid by MATA for the retiree and dependents is as follows:

Pre-Medicare participant		
Retiree	$	600
Retiree plus dependent(s)		1,323
Family		1,931
Medicare eligible participant:		
Retiree	$	528
Retiree plus dependent(s)		1,251
Family		1,787

Life insurance coverage is paid by MATA with no contribution from the retiree.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 Years, Open
Asset valuation method	Market value
Investment rate of return (discount rate)	4.0%
Payroll growth	2.5%
Health cost trend rate	6.60% graded to 4.5% over 70 years

Annual OPEB Cost and OPEB Obligation

MATA's OPEB cost and OPEB obligation consisted of the following for the year ended June 30, 2015:

Annual required contribution (ARC)	$ 8,200,331
Interest on beginning of year obligation	901,478
Adjustments to ARC	(956,900)
Annual OPEB cost	8,144,909
Contributions made	(2,512,262)
Increase in OPEB Obligation	5,632,647
Net OPEB Obligation at June 30, 2014	22,536,944
Net OPEB Obligation at June 30, 2015	$ 28,169,591

NOTE 8 - INSURANCE RISK:

MATA is fully self-insured for employee medical benefits and is partially self-insured for workers' compensation. MATA is also self-insured for property damage and personal liability claims up to specified limits under excess insurance coverage. Liability established for claims incurred but not paid for medical benefits, which is included in Due to MTM in the Statement of Net Position, were as follows:

Balance - June 30, 2014	$ 447,019
Claims paid	(7,478,837)
Estimate of claims incurred	7,648,196
Balance - June 30, 2015	$ 616,378

Additionally, as of June 30, 2015, management has accrued a liability of $149,612 for estimated workers' compensation claims outstanding. MATA also maintains stop-loss insurance for workers' compensation claims in excess of $1,000,000 and a $500,000 performance bond is pledged to the State of Tennessee for workers' compensation.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

MATA is subject to various types of claims and litigation in the ordinary course of its operations. Management has accrued a contingent liability of $365,000 for claims and litigation, which is included in accrued expenses in the Statement of Net Position. Management believes that, based on information presently available, such matters when ultimately concluded will not have any additional material adverse effect on MATA's financial position or results of operation.

As of June 30, 2015, MATA had the following purchase commitments:

Rail System - Main Street and Riverfront Loop Portions	$ 2,399,665
MATA Vehicles	1,940,875
Main Facility	432,798
Transit Amenities	1,199,325
Planning Projects	491,148
Central Station	60,761
Total	$ 6,524,572

NOTE 10 - ECONOMIC DEPENDENCE:

MATA is economically dependent upon federal, state and local government grants and subsidies to finance its operations and its capital expenditures. For the year ended June 30, 2015, MATA received approximately $44,148,003 in government subsidies and grants to offset operating losses.

REQUIRED SUPPLEMENTARY INFORMATION

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

Exhibit RSI-1

Schedule of Funding Progress
Other Postemployment Benefits (OPEB)
For the fiscal year ended June 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) - (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] + c
January 1, 2012	$ -	$ 97,091,769	$ 97,091,769	- %	$ 20,848,376	466%
January 1, 2014	$ -	$ 97,243,157	$ 97,243,157	- %	$ 20,541,200	473%

[1]Covered Payroll includes all active plan participants

Exhibit RSI-2

Schedule of Contributions
Other Postemployment Benefits (OPEB)
For the fiscal year ended June 30, 2015

Schedule of Employer Contributions

Fiscal Year Ending June 30	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage Contributed
2013	$ 7,781,460	$ 2,507,486	32.2 %
2014	$ 8,218,073	$ 2,609,992	31.8 %
2015	$ 8,200,331	$ 2,512,262	30.6 %

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

Exhibit RSI-3

Three Year Schedule of Percentages of OPEB Cost Contributed
Other Postemployment Benefits (OPEB)
For the fiscal year ended June 30, 2015

Three Year Schedule of Percentages of OPEB Cost Contributed

Fiscal Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2013	$ 7,923,028	$ 2,507,486	31.6 %	$ 16,719,437
2014	$ 8,427,463	$ 2,609,992	31.0 %	$ 22,536,944
2015	$ 8,144,909	$ 2,512,262	30.8 %	$ 28,169,591

See next page

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

Exhibit RSI-4

Schedule of Changes in Retirement and Pension System's Net Pension Liability

		2015
Total pension liability		
Service cost	$	2,322,014
Interest		7,256,552
Change of benefit terms		(966,801)
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments, including refunds of employee contributions		(8,247,259)
Net change in total pension liability		364,506
Total pension liability – beginning		107,788,656
Total pension liability – ending (a)	$	108,153,162
Plan fiduciary net position		
Contributions – employer	$	5,924,834
Contributions – employee		1,621,539
Net investment income		5,700,157
Benefit payments, including refunds of employee contributions		(8,247,259)
Administrative expense		(896,340)
Other		-
Net change in plan fiduciary net position		4,102,931
Plan fiduciary net position – beginning		100,771,175
Plan fiduciary net position – ending (b)	$	104,874,106
System's net pension liability – ending (a) – (b)	$	3,279,056
Plan fiduciary net position as a percentage of the total pension liability		97.0 %
Covered employee payroll	$	21,100,201
Net pension liability as percentage of covered employee payroll		15.5 %

Historical information prior to implementation of GASB 67 is not required

NOTE TO SCHEDULE:

Benefit changes: A plan change adopted in Fiscal Year Ending June 30, 2015 and Plan Year 2014 closed the plan to new entrants effective July 1, 2015 and froze service credits and pay for participants hired after June 30, 2008, effective July 1, 2015. This change is recognized in the Plan/Fiscal Year in which it was adopted.

Change of assumptions: No changes in assumptions have been made since GASB 67/68 implementation.

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

Exhibit RSI-5

Schedule of Contributions
MATA Retirement System
For the fiscal year ended June 30, 2015

Year Ending June 30	Actuarially Determined Contribution (1) (a)	Actual Employer Contributions (b)	Contribution Excess/(Deficiency) (c) = (b) - (a)	Covered Employee Payroll (d)	Contribution as a Percentage of Covered Payroll (b) / (d)
2006	$ 1,829,661	$ 1,829,661	$ -	$ 23,811,293	7.7%
2007	$ 1,738,072	$ 1,738,072	$ -	$ 22,165,361	7.8%
2008	$ 1,865,644	$ 1,865,644	$ -	$ 22,274,162	8.4%
2009	$ 1,865,656	$ 1,865,656	$ -	$ 22,347,975	8.3%
2010	$ 1,941,233	$ 1,941,233	$ -	$ 22,924,214	8.5%
2011	$ 2,513,540	$ 2,513,540	$ -	$ 24,322,930	10.3%
2012	$ 4,498,995	$ 4,498,995	$ -	$ 23,676,446	19.0%
2013	$ 5,316,927	$ 5,316,927	$ -	$ 22,903,128	23.2%
2014	$ 3,880,850	$ 3,880,850	$ -	$ 22,556,055	17.2%
2015	$ 5,721,168	$ 5,721,168	$ -	$ 21,100,201	27.1%

(1) Includes timing adjustments for actual contribution timing required for meeting the minimum funding requirements.

SUPPLEMENTAL SCHEDULES

MEMPHIS AREA TRANSIT AUTHORITY
Memphis, Tennessee

SCHEDULE OF OPERATING REVENUE AND EXPENSES -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Actual	Original and Final Budget	Variance Positive (Negative)
OPERATING REVENUE:			
Farebox revenue	$ 8,301,401	$ 8,427,282	$ (125,881)
Special transit fees	6,148	3,820	2,328
Charter service revenue	4,100	8,375	(4,275)
Auxiliary transportation revenue	444,246	531,596	
Non-transportation revenue	365,083	726,197	(361,114)
Total Operating Revenue	$ 9,120,978	$ 9,697,270	$ (576,292)
OPERATING EXPENSES:			
Salaries and wages	$19,437,260	$20,263,723	$ 826,463
Fringe benefits	14,052,869	22,803,681	8,750,812
Services	5,725,755	3,808,700	(1,917,055)
Materials and supplies	8,478,107	8,991,592	513,485
Utilities	1,095,817	1,276,881	181,064
Insurance	817,621	1,025,005	207,384
Leases and rentals	7,152	5,473	(1,679)
License and taxes	334	-	(334)
Miscellaneous	196,612	213,415	16,803
Total Operating Expenses	$49,811,527	$58,388,470	$ 8,576,943

MEMPHIS AREA TRANSIT AUTHORITY
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
FEDERAL GRANTOR/PASS-THROUGH GRANTOR						
FEDERAL AWARDS						
Direct Programs:						
U. S. Department of Transportation/Federal Transit Administration	20.500	GG-07-22271	$ (607,895)	$ 4,974	$ (602,921)	$ -
U. S. Department of Transportation/Federal Transit Administration	20.500	TN-03-0104	(24,123)	1,014,979	1,170,413	(179,557)
U. S. Department of Transportation/Federal Transit Administration	20.500	TN-03-0105	-	667,106	1,162,061	(494,955)
U. S. Department of Transportation/Federal Transit Administration	20.500	TN-04-0052-01	(7)	14,693	14,686	-
U. S. Department of Transportation/Federal Transit Administration	20.500	TN-04-0053	(822)	113,879	113,057	-
U. S. Department of Transportation/Federal Transit Administration	20.500	TN-05-0033-03	-	38,375	67,432	(29,057)
Total Program (20.500)			(632,847)	1,854,006	1,924,728	(703,569)
U. S. Department of Transportation/Federal Transit Administration	20.505	CA1519093-1	-	-	16,591	(16,591)
Total Program (20.505)			-	-	16,591	(16,591)
U. S. Department of Transportation/Federal Transit Administration	20.507	TN-90-X327-03	(1,925)	20,045	21,511	(3,391)
U. S. Department of Transportation/Federal Transit Administration	20.507	TN-90-X343-04	(2,565)	153,424	196,786	(45,927)
U. S. Department of Transportation/Federal Transit Administration	20.507	TN-90-X357-03	(832,896)	881,955	782,306	(733,247)
U. S. Department of Transportation/Federal Transit Administration	20.507	TN-90-X357-02	(14,507)	75,000	60,493	-
U. S. Department of Transportation/Federal Transit Administration	20.507	TN-95-X385	-	7,260,000	10,438,000	(3,178,000)
Total Program (20.507)			(851,893)	8,390,424	11,499,096	(3,960,565)
U. S. Department of Transportation/Federal Transit Administration	20.521	TN-57-X005	(2,402)	13,219	13,674	(2,857)
U. S. Department of Transportation/Federal Transit Administration	20.521	TN-57-X007-03	(7,137)	461,946	468,412	(13,603)
Total Program (20.521)			(9,539)	475,165	482,086	(16,460)
U. S. Department of Transportation/Federal Transit Administration	20.522	TN-39-0002	(52,613)	233,908	269,366	(88,071)
Total Program (20.522)			(52,613)	233,908	269,366	(88,071)
U. S. Department of Transportation/Federal Transit Administration	20.525	TN-54-0004	-	-	1,000,000	(1,000,000)
Total Program (20.525)			-	-	1,000,000	(1,000,000)
U. S. Department of Transportation/Federal Transit Administration	20.526	TN-34-0001	-	33,304	43,283	(9,979)
Total Program (20.526)			-	33,304	43,283	9,979
Pass through State of Tennessee Emergency Management Agency						
Department of Military - Tennessee Emergency Management Agency-Dept of Homeland Sec.	97.075	FEMA-1979-DR-TN	(91,690)	91,690	-	-
Total Program (97.075)			(91,690)	91,690	-	-
TOTAL FEDERAL AWARDS			$ (1,638,582)	$ 11,078,497	$ 15,235,150	$ (5,795,235)

MEMPHIS AREA TRANSIT AUTHORITY
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
FEDERAL GRANTOR/PASS-THROUGH GRANTOR						
STATE FINANCIAL ASSISTANCE						
Tennessee Department of Transportation	N/A	GG-08-23725	$ (85,464)	$ 205,030	$ 146,301	$ (26,735)
Tennessee Department of Transportation	N/A	GG-10-30451	(8,403)	71,785	68,079	(4,697)
Tennessee Department of Transportation	N/A	GG-11-36689	(241)	241	2,689	(2,689)
Tennessee Department of Transportation	N/A	GG-12-37538	-	1,836	1,836	-
Tennessee Department of Transportation	N/A	GG-12-37597	(84)	11,662	11,578	-
Tennessee Department of Transportation	N/A	GG-13-34261	-	14,781	14,781	-
Tennessee Department of Transportation	N/A	GG-13-36724	(401,651)	407,355	24,598	(18,894)
Tennessee Department of Transportation	N/A	GG-13-37337	(455)	455	-	-
Tennessee Department of Transportation	N/A	GG-14-37642	(13,750)	13,750	-	-
Tennessee Department of Transportation	N/A	GG-14-38875	-	-	-	-
Tennessee Department of Transportation	N/A	GG-14-40481	(9,320)	14,117	8,429	(3,632)
Tennessee Department of Transportation	N/A	GG-14-40607	(77,992)	77,992	5,410	(5,410)
Tennessee Department of Transportation	N/A	GG-14-41842	(1,313,663)	1,313,663	97,789	(97,789)
Tennessee Department of Transportation	N/A	GG-15-43719	(125,000)	125,000	125,000	(125,000)
Tennessee Department of Transportation	N/A	GG-15-44242	(7,254)	37,500	30,246	-
Tennessee Department of Transportation	N/A	Pending Approval	-	-	1,304,750	(1,304,750)
Tennessee Department of Transportation	N/A	GU-14-37129	-	20,466	20,466	-
Tennessee Department of Transportation	N/A	GU-14-42103	-	11,424	11,424	-
Tennessee Department of Transportation	N/A	Z-15-UROP-14	-	4,999,000	4,999,000	-
Tennessee Department of Transportation	N/A	Z-15-UROP-18	-	909,300	909,300	-
Total Program			(2,043,277)	8,235,357	7,781,676	(1,589,596)
TOTAL STATE AWARDS			(2,043,277)	8,235,357	7,781,676	(1,589,596)
TOTAL FEDERAL AND STATE AWARDS			$ (3,681,859)	$ 19,313,854	$ 23,016,826	$ (7,384,831)

MEMPHIS AREA TRANSIT AUTHORITY
Notes to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Basis of Presentation

The schedule of expenditures of federal and state awards includes grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is in accordance with the requirements of OMB Circular A-133. "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

BANKS, FINLEY,
WHITE & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Commissioners
Memphis Area Transit Authority

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 Memphis Area Transit Authority ("MATA"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise MATA's basic financial statements, and have issued our report thereon dated December 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MATA'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 MATA's internal control. Accordingly, we do not express an opinion on the effectiveness of MATA'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. We did identify certain deficiencies in internal control, which is described in the accompanying summary schedule of prior audit findings as item 2012-1.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether MATA'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*.

MATA's Response to Findings

MATA's response to the findings identified in our audit is described in the accompanying summary schedule of prior audit findings. MATA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Banks, Finley, White & Co.

Memphis, Tennessee
December 28, 2015

BANKS, FINLEY,
WHITE & CO.
·CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Memphis Area Transit Authority

Report on Compliance for Each Major Federal Program

We have audited Memphis Area Transit Authority's ("MATA") 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 MATA's major federal programs for the year ended June 30, 2015. MATA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each of MATA'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 MATA'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 MATA's compliance.

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Opinion on Each Major Federal Program

In our opinion, MATA 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, 2015.

Report on Internal Control Over Compliance

Management of MATA, 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, we considered MATA'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 MATA'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.

Banks, Finley, White & Co.

Memphis, Tennessee
December 28, 2015

MEMPHIS AREA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. The auditor's report issued on the basic financial statements.	Unmodified
2. Material noncompliance relating to the financial statements.	None reported
3. Internal Control Over Financial Reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified that are not considered to be material weaknesses?	None reported

Federal Awards:

4. Type of auditor's report issued on the basic financial statements.	Unmodified
5. Internal Control Over Major Federal Programs:	
a. Material weaknesses identified?	None reported
b. Significant deficiencies identified that are not considered to be material weaknesses?	None reported
6. Any audit findings reported as required by Section_.510(a) of OMB Circular A-133.	No

7. The programs tested as a major program were:

   Federal Transit Cluster:

   CFDA #20.500
   CFDA #20.507

8. The threshold for distinguishing Type A and B programs was $678,378.

9. MATA was determined not to be a low risk auditee.

II. FINDINGS - FINANCIAL STATEMENT AUDIT

No matters are reportable.

III. FINDINGS - MAJOR FEDERAL AWARDS FINDINGS AND QUESTIONED COST SECTION

No matters are reportable.

MEMPHIS AREA TRANSIT AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Material Weakness

2012-1 Capital Asset Accounting

Condition: During the year, it was determined there were significant errors in the detailed fixed asset subsidiary ledger. Consequently, MATA's capital assets as recorded in its general ledger and financial statements were also misstated. The most significant errors related to current year and prior years depreciation expense.

Criteria: Capital assets and related accumulated depreciation and depreciation expense are material components of MATA's financial statements. The capital asset subsidiary ledger should be reviewed for accuracy and reconciled to the general ledger on a monthly basis.

Effect: Errors in the capital asset subsidiary ledger can result in material errors in MATA's financial statements.

Recommendation: Management maintains capital assets and computes depreciation in a software program called Asset Works. Significant time and effort was taken to update and correct the capital asset records and adjust the financial statements. We suggest management implement monthly review procedures to ensure all new capital assets are added to Asset Works, all capital assets no longer in service are removed, depreciation is properly computed, and the general ledger reconciles to Asset Works.

Response: The general ledger and subsidiary ledgers for capital assets, along with computation of depreciation, will be reviewed and reconciled on a monthly basis.

Status: Closed