

REGIONAL TRANSPORTATION AUTHORITY

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

REGIONAL TRANSPORTATION AUTHORITY

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REGIONAL TRANSPORTATION AUTHORITY

INTRODUCTION

The Regional Transportation Authority (“RTA”) is pleased to present its Annual Financial Report for the year ended June 30, 2017.

Responsibility and Controls

RTA has prepared and is responsible for the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on recognition that the cost of the system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

RTA’s system of internal accounting controls is evaluated on an ongoing basis by RTA’s internal financial staff. Crosslin, PLLC, our external auditors, also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that RTA’s operations are conducted according to management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material respects, the financial position of RTA as of June 30, 2017, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Audit Assurance

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

**REGIONAL TRANSPORTATION AUTHORITY
AS OF JUNE 30, 2017**

BOARD MEMBERS

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



Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Regional Transportation Authority as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the State of Tennessee, and are also not a required part of the basic financial statements.



The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 5, 2017

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

This section of the Regional Transportation Authority’s (“RTA”) annual financial report presents our discussion and analysis of financial performance during the fiscal year ended June 30, 2017, as compared to fiscal year 2016. Please read it in conjunction with the introductory section of this report and RTA’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2017:

- RTA saw overall increase in fares collected for regional bus and rail commuter services of approximately \$51,000, or 2.8%, compared to last fiscal year.
- RTA continued work on several capital projects during the fiscal year that included groundbreaking and construction for a transit-oriented development to build a new train station and parking lot at Hamilton Springs in Lebanon, Tennessee as well as rehabilitation of some of our rolling stock for commuter rail services.
- RTA adopted its nMotion Transit Strategic Plan which lays out how the RTA can become much more proactive in addressing Middle Tennessee’s transit needs, develop and set transit policy, and deliver much more effective transit services throughout Middle Tennessee. RTA also completed the Northwest Corridor Study. The study analyzed the potential for high capacity transit between Clarksville and Nashville and was complementary to the nMotion Plan outlining recommendations for the northwest corridor of the region. The long term locally preferred alternative identified in the study was commuter rail utilizing the Nashville and Western rail corridor. Several interim steps for the short and mid-term were also identified including continuation of improvements to RTA Route 94X Clarksville Express to support growing ridership, preservation of the rail corridor including beginning discussions for acquisition of missing right-of-way between Ashland City and Clarksville, and incorporation of corridor connections in the North Nashville area to match nMotion recommendations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements provide both long-term and short-term information about RTA’s overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other information that further explains and supports the information in the financial statements. The section of additional information includes schedules of federal and state awards and the notes thereto as well as a schedule of findings and questioned costs and the responses thereto, if applicable.

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

RTA's financial statements are prepared in conformity with U.S. generally accepted accounting principles as applicable to state and local governments. Generally Accepted Accounting Principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"). The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS OF RTA

Net Position

Fiscal year 2017 as compared to fiscal year 2016:

RTA's net position at June 30, 2017 totaled approximately \$19.7 million, a 5.3% decrease compared to June 30, 2016 (See Table A-1). Total assets increased 0.2% to approximately \$22.8 million and total liabilities increased approximately 55.9% to approximately \$3.2 million compared to the prior year.

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

	2017	2016	Percentage Change 2017-2016
Cash	\$ 1,994	\$ 998	99.8%
Due from other governments	2,008	2,216	(9.4%)
Prepaid items and inventory	493	477	3.4%
Restricted cash	1,699	1,587	7.1%
Capital assets, net	16,633	17,504	(5.0%)
Total assets	22,827	22,782	0.2%
Current liabilities	1,212	1,238	(2.1%)
Advanced contributions	1,241	447	177.6%
Note payable - line of credit	720	350	105.7%
Total liabilities	3,173	2,035	55.9%
Net position:			
Investment in capital assets	16,633	17,504	(5.0%)
Restricted	1,699	1,587	7.1%
Unrestricted	1,322	1,656	(20.2%)
Total net position	\$ 19,654	\$ 20,747	(5.3%)

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

The 0.2% increase in total assets was primarily due to increases in cash, restricted cash, and inventory, which were partially offset by decreases in amounts due from federal, state and local governments, prepaid expenses, and net capital assets. Please read the capital asset section of this management discussion and analysis for further explanation for the decrease in capital assets.

Cash represents regular cash on hand for operations as well as cash set aside for specific purposes as determined by the RTA Board. Also included in cash are three separate reserves for vanpool van replacement, reserves for regional bus services, and a new reserve for the construction of the Hamilton Springs train station and parking lot. The balances of the reserves are as follows:

Cash for Vanpool Replacement	\$330,283
Cash for Regional Bus Service	\$723,900
Cash for Hamilton Springs	\$500,000

The fluctuations in cash for operations, inventory and grant receivables resulting from receipt of grant funding due from federal, state and local governments was attributable to the normal course of business. The new reserve for Hamilton Springs represents funding provided from the City of Lebanon to be used specifically for the construction of the train station and parking lot. The restricted cash, which increased 7.1%, consists of a \$1 million reserve required for a supplemental insurance reserve for our liability insurance policy for the train as well as approximately \$699,000 of membership dues collected that the RTA Board elected to set aside as a reserve for future unexpected administrative expenses. Under state law, these funds must be used for administrative expenses. The increase in current liabilities was in part due to normal timing differences. We also had a balance of \$720,000 on our \$1.5 million line of credit in the current year for the timing of normal cash flow needs. The line of credit had a \$350,000 balance at June 30, 2016 (See Note G to the financial statements). As mentioned previously, the RTA members established new cash reserves last year for our partners that receive regional bus services in their cities or counties. The reserves, titled advance contributions, were set up in order to stabilize each partner's annual contribution. These advance contributions totaled \$723,900 at the end of current year compared to approximately \$447,000 last year. Advance contributions also include the amount received from the City of Lebanon for the Hamilton Springs project. Accounting rules require that these advance contributions also be recorded as a liability until the reserve is depleted through the operation of regional bus services or other specific uses.

Revenues, Expenses and Changes in Net Position

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

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

Fiscal year 2017 as compared to fiscal year 2016:

The decrease in net position for the year ended June 30, 2017 was approximately \$1.1 million, or 5.3%, compared to an increase of approximately \$221,000 for the year ended June 30, 2016 (See Table A-2). RTA's total program revenues including capital revenues decreased 15.2% to approximately \$9.0 million from approximately \$10.6 million in the prior fiscal year. Total functional expenses, including depreciation, decreased 2.2% to approximately \$10.5 million from approximately \$10.7 million in the prior fiscal year.

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

	2017	2016	Percentage Change 2017 - 2016
Program Revenues:			
Passenger Fares charged for services	\$ 1,851	\$ 1,800	2.8%
Operating Grants and Contributions	6,703	7,943	(15.6%)
Capital Grants and Contributions	443	865	(48.8%)
Total program revenues	8,997	10,608	(15.2%)
General revenues	416	360	15.6%
Total Revenues	9,413	10,968	(14.2%)
Functional Expenses:			
R&R / Job Access Reverse Commute	5,106	4,868	4.9%
Commuter Rail - operations	5,400	5,879	(8.1%)
Total functional expenses	10,506	10,747	(2.2%)
Decrease in Net Position	(1,093)	221	(594.6%)
Total net position, beginning of year	20,747	20,526	1.1%
Total net position, end of year	\$19,654	\$20,747	(5.3%)

The increase in passenger fare revenue was primarily due to an increase in ridership on the Music City Star commuter rail services of approximately 5.2%. This increase was partially offset by a decrease of approximately 1.1% in regional bus ridership compared to the prior year. The decrease in ridership on our regional bus operation was partially related to some service reliability issues we experienced during the fiscal year from our service providers as well as the ongoing impact from the cancellation or relocation of some of our regional bus park and ride lots. The decrease in operating grants and contributions was primarily the result of grant funding that was received in the prior year related to our Northwest Corridor Study and strategic plan that was not received in the current year. The decrease in capital grants and contributions was the result of RTA having fewer active capital projects in FY 2017 compared to FY 2016. The majority of the current year capital spending was primarily related to our Hamilton Springs project and the addition of several replacement vans for our vanpool program.

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

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

	2017	2016	Percentage Change 2017 - 2016
Rideshare Function:			
Regional Bus / JARC Function:			
Operational expenses	\$ 4,655	\$ 4,475	4.0%
Depreciation	451	393	14.8%
Commuter Rail Function:			
Operational expenses	4,527	5,293	(14.5%)
Depreciation	873	586	49.0%
Total operating expenses	\$ 10,506	\$ 10,747	(2.2%)

The 4.0% increase in Regional Bus and JARC operational expenses primarily related to the increases in contractual operating costs from both Gray Line and Nashville MTA, our regional service providers. The 14.5% decrease in Commuter Rail operating expenses was primarily due to non-recurring consultant expenses related to our new strategic plan as well as the Northwest Corridor Study that were incurred in the prior year compared to the current year. These decreases were partially offset by annual contractual increases in the operation of the Music City Star from our train operator compared to the prior year. The increase in overall depreciation was related to track improvements that were recorded in late FY 2016 that were depreciated for a full year in FY 2017 as well as the capitalization of several replacement vans during the current fiscal year for our vanpool program.

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

CAPITAL ASSETS

Fiscal year 2017 as compared to fiscal year 2016:

At the end of FY 2017, RTA had invested approximately \$16.6 million in net capital assets for a broad range of land, rail stations, revenue vehicles and equipment as shown in Table A-4.

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

	2017	2016	Percentage Change 2017 - 2016
Land	\$ 2,968	\$ 2,968	-
Commuter Rail Stations	11,301	11,289	0.1%
Rolling Stock	3,312	3,199	3.5%
Vehicles	2,796	2,907	(3.8%)
Construction and rehabilitation in progress	437	254	72.0%
Equipment	801	774	3.5%
Guideway improvements	3,306	3,306	-
Park and ride lots	978	978	-
Subtotal	25,899	25,675	0.9%
Less Accumulated Depreciation	(9,266)	(8,171)	13.4%
Net Capital Assets	\$ 16,633	\$ 17,504	(5.0%)

The decrease in net capital assets was primarily due to having approximately \$456,000 in capital additions offset by approximately \$1.3 million of depreciation recorded. See further information regarding capital assets in Note F to the financial statements.

FUND FINANCIAL ANALYSIS

As noted on the analysis of revenues, expenses and changes in net position, the RTA experienced a decrease in net position on a government-wide basis of approximately \$1,093,000 – see page 8 for a discussion of the significant changes in revenues and expense. However, the General Fund fund balance decreased by approximately \$221,000. 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 being more in the net position in the government-wide statements was the fact that the net decrease in capital assets was approximately \$871,000.

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

BUDGET VARIANCES

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

RTA's Board of Directors and management considered many factors when setting the fiscal year 2018 budget. These factors include an expected increase in ridership, contract services hourly rates and liability insurance coverage. Also considered were the anticipated capital grant funding for operations and potential capital projects as well as continuing operating support from all of our regional partners.

CONTACTING RTA'S FINANCIAL MANAGEMENT

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Net Position
June 30, 2017

ASSETS	
Cash	\$ 1,993,872
Due from other governments	2,008,501
Prepaid items	47,513
Inventory	445,521
Restricted cash	1,699,203
Capital assets:	
Capital assets, not being depreciated	3,404,625
Other capital assets, net of depreciation	<u>13,228,077</u>
 Total assets	 <u>22,827,312</u>
 LIABILITIES	
Accounts payable and accrued expenses	915,054
Advanced contributions	1,240,843
Due to related party, net	296,685
Line of credit	<u>720,000</u>
 Total liabilities	 <u>3,172,582</u>
 NET POSITION	
Investment in capital assets	16,632,702
Restricted net position	1,699,203
Unrestricted net position	<u>1,322,825</u>
 Total net position	 <u><u>\$ 19,654,730</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Activities
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Governmental Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
GOVERNMENTAL ACTIVITIES						
Relax and Ride and Job Access Reverse Commute	\$ 5,105,876	\$ 932,919	\$ 2,988,204	\$ 146,594	\$ (1,038,159)	
Commuter Rail Operations	5,400,823	918,392	3,715,108	296,635	(470,688)	
Total governmental activities	<u>\$ 10,506,699</u>	<u>\$ 1,851,311</u>	<u>\$ 6,703,312</u>	<u>\$ 443,229</u>	<u>(1,508,847)</u>	
General revenues:						
Membership dues						162,119
Miscellaneous						254,008
Total general revenues						<u>416,127</u>
Change in net position						(1,092,720)
Net position, beginning						<u>20,747,450</u>
Net position, ending						<u>\$ 19,654,730</u>

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

REGIONAL TRANSPORTATION AUTHORITY
Balance Sheet - Governmental Fund
General Fund
June 30, 2017

ASSETS

Cash	\$ 1,993,872
Due from other governments	2,008,501
Prepaid items	47,513
Inventory	445,521
Restricted cash	<u>1,699,203</u>
 Total assets	 <u><u>\$ 6,194,610</u></u>

LIABILITIES

Accounts payable and accrued expenses	\$ 915,054
Advanced contributions	1,240,843
Due to related party, net	296,685
Line of credit	<u>720,000</u>
 Total liabilities	 <u><u>3,172,582</u></u>

FUND BALANCES

Nonspendable:	
Inventory	445,521
Prepaid items	47,513
Restricted	1,699,203
Unassigned	<u>829,791</u>
 Total fund balance	 <u><u>3,022,028</u></u>
 Total liabilities and fund balance	 <u><u>\$ 6,194,610</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
June 30, 2017

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

Total governmental fund balance	\$ 3,022,028
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental fund.	<u>16,632,702</u>
Net position of governmental activities	<u><u>\$ 19,654,730</u></u>

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Fund
General Fund
For the Year Ended June 30, 2017

REVENUES

Federal grant revenue	\$ 3,019,250
State grant revenue	1,185,011
Other local revenue	2,942,280
Fare revenue	1,851,311
Membership and miscellaneous revenue	416,127
Total operational revenues	9,413,979

EXPENSES

Current:	
Relax and Ride and Job Access Reverse Commute	4,654,751
Commuter Rail Operations	4,527,546
Capital outlay:	
Relax and Ride and Job Access Reverse Commute	146,594
Commuter Rail Operations	306,575
Total expenditures before debt service	9,635,466

NET INCREASE IN FUND BALANCE (221,487)

FUND BALANCE AT BEGINNING OF YEAR 3,243,515

FUND BALANCE AT END OF YEAR \$ 3,022,028

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

REGIONAL TRANSPORTATION AUTHORITY
Reconciliation of the Statement of Revenue, Expenditures, and
Changes in Fund Balance of Governmental Fund to the
Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental fund	\$ (221,487)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically, these items are as follows:

Capital asset additions	453,169
Depreciation expense	<u>(1,324,402)</u>

Change in net position of governmental activities	<u><u>\$ (1,092,720)</u></u>
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The accompanying notes are an integral part of these financial statements.

REGIONAL TRANSPORTATION AUTHORITY
Statement of Activities to Budget Comparison
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
REVENUES			
Full adult fare - R&R	\$ 903,430	\$ 932,919	\$ 29,489
Full adult fare - Train	840,050	838,686	(1,364)
Special events	61,920	79,706	17,786
Advertising sales - R&R	-	80,800	80,800
Advertising sales - Train	2,000	11,844	9,844
Rent of building and property	55,900	72,939	17,039
Non-transportation revenue	-	19,125	19,125
Annual membership dues	-	162,119	162,119
Local operating	1,689,365	1,710,149	20,784
Regional operating subsidies	1,444,275	1,127,664	(316,611)
State operating revenues	1,283,950	710,880	(573,070)
JARC	107,452	107,204	(248)
CMAQ revenues	1,908,201	1,540,618	(367,583)
Capital operating assistance	1,367,798	1,506,797	138,999
Total operational revenues	<u>9,664,341</u>	<u>8,901,450</u>	<u>(762,891)</u>
EXPENSES			
Salary-contract admin - R&R	220,932	220,935	(3)
Salary-contract admin - Train	220,932	220,935	(3)
Other fringes - R&R	180,768	180,765	3
Other fringes - Train	180,768	180,765	3
Advertising service and fees - R&R	80,000	47,817	32,183
Advertising service and fees - Train	82,400	21,054	61,346
Attorney's fees	55,000	102,988	(47,988)
Outside auditing fees	33,000	25,300	7,700
Web management contract	64,000	64,719	(719)
Interest/extension fees - LOC	25,000	18,308	6,692
Bank service charges	4,000	8,624	(4,624)
Other services - R&R	9,500	43,378	(33,878)
Other services - Admin/Master Plan/NW Corridor	6,900	235,538	(228,638)
Other services - Train	116,000	112,687	3,313
Emergency ride home	10,000	1,590	8,410
Contract maintenance - TVM's Train	11,000	-	11,000
Contract maintenance - Train Parts/Repairs/Maintenance	225,000	67,542	157,458
Contract maintenance - R&R/MTA	1,524,503	1,521,374	3,129
Contract maintenance - R&R/Grayline	2,567,394	2,531,477	35,917
Contract maintenance - Train Shuttle/MTA	174,800	165,352	9,448
Contract maintenance - Base Train Service/TSG	1,818,326	1,765,181	53,145
Contract maintenance - Special Service Train/TSG	28,010	40,009	(11,999)
Contract maintenance - Track Rent/NERC	57,520	56,694	826
Contract maintenance - Special Track Usage/NERC	10,150	11,705	(1,555)

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

REGIONAL TRANSPORTATION AUTHORITY
Statement of Activities to Budget Comparison - Continued
For the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
EXPENSES - Continued			
Contract maintenance - Base Track Usage/NERC	585,000	568,772	16,228
Contract maintenance - Train/Train Systems	25,000	103	24,897
Fuel hedging expense - Train	-	(42,498)	42,498
Diesel fuel - Train	354,000	395,166	(41,166)
M&S general - R&R	1,000	-	1,000
M&S general - Train	3,500	797	2,703
Promotional M&S	3,500	2,059	1,441
M&S Passenger Stations - Train	3,000	3,359	(359)
Printing services - R&R	5,000	2,228	2,772
Printing services - Train Fare Media	35,000	13,236	21,764
Printing services	25,000	1,301	23,699
Office supplies - Rideshare Admin	850	1,624	(774)
Office supplies - Train	-	50	(50)
Janitorial supplies - Train	2,000	-	2,000
Electric	1,100	4,952	(3,852)
Water/sewer	500	1,930	(1,430)
Telephones - Train	4,600	-	4,600
Insurance - PPADO	3,300	3,113	187
Insurance - CS&A	558,520	515,240	43,280
Insurance - Real Property	20,600	15,948	4,652
Insurance - TPA Claims	6,000	3,988	2,012
Licensing vehicles	500	195	305
Dues and subscriptions - RTA	27,800	25,136	2,664
Travel and trainings - RTA	6,000	-	6,000
Miscellaneous general	2,000	8,459	(6,459)
Freight charges - RTA	3,250	1,685	1,565
Freight charges - Train	-	10,717	(10,717)
Contingency	281,418	-	281,418
Total operational expenses	<u>9,664,341</u>	<u>9,182,297</u>	<u>482,044</u>
OTHER REVENUE (EXPENSES)			
Capital purchases revenue	-	443,229	443,229
Depreciation expense	-	(1,324,402)	(1,324,402)
Gain on sale of capital assets	-	69,300	69,300
Total other revenue (expenses)	<u>-</u>	<u>(811,873)</u>	<u>(811,873)</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ (1,092,720)</u>	<u>\$ (1,092,720)</u>

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

A. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Reporting Entity

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide Financial Statements

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Fund Financial Statements

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

The Authority reports the following major governmental fund:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

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

Cash and Cash Equivalents

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

Capital Assets and Depreciation

Capital assets, which include property, equipment and construction in progress, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The Authority defines capital assets as assets with an individual cost of more than \$1,000 with a useful life of more than one year. The Authority has no general infrastructure assets.

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

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

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

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

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

Advanced Contributions

Advanced contributions are primarily composed of collections from RTA member organizations held for future use in the event that certain funding is not secured and for other specific purposes. Advanced contributions will be recognized as revenue when the purposes are met.

Fund Equity

Government-Wide Financial Statements

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

- *Investment in Capital Assets* - Amount of capital assets, net of accumulated depreciation. If the Authority had debt related to the acquisition or construction of capital assets, this net position category would be presented “net” of such related debt. At June 30, 2017, the Authority had no debt directly related to its capital assets.
- *Restricted Net Position* - Amount of net position that is subject to restrictions that are imposed by 1.) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments or 2.) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - Net position that is neither classified as restricted nor as invested in capital assets.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Financial Statements

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

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

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

- *Restricted Fund Balance* - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Authority's Board of Director, which is the highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Authority had no committed fund balance at June 30, 2017.
- *Assigned Fund Balance* - This classification reflects amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in any governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. The Authority had no assigned fund balance at June 30, 2017.
- *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).

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

C. RISK MANAGEMENT

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

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

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

D. RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2017, 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 \$66,950 per month. For the year ended June 30, 2017, the total amount charged for all services and contracts was \$2,370,340. As of June 30, 2017, \$512,515 was due to MTA. Further, during the year ended June 30, 2017, MTA credited or remitted \$1,427,942 to the Authority in public transit farebox collections. As of June 30, 2017, \$215,830 was due from MTA.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. COMMITMENTS AND CONTINGENCIES

Enabling Legislation

As a government created agency established by the State of Tennessee, the Authority is subject to sunset hearings under the “Tennessee Governmental Entity Review Law.” The sunset hearings review the mission of the Authority and determine if it should be reauthorized to continue. Under the law, the Authority is scheduled to terminate on June 30, 2018, unless continued through an act of the Tennessee General Assembly.

During fiscal year 2017, the Authority participated in the sunset process, which included a performance audit by the State Comptroller’s Office. On November 14, 2017, the Commerce, Labor, Transportation and Agriculture Joint Subcommittee of Government Operations held a sunset hearing for the Authority. At the conclusion of the sunset hearing, the joint subcommittee made a recommendation to extend the Authority two years, through June 30, 2020, and requested that representatives of the Authority appear before the subcommittee no later than December 31, 2018 to report on progress made in addressing findings set forth in the 2017 performance audit.

The subcommittee’s recommendation at the Sunset public hearing will be the basis for the legislative bills in the upcoming legislative session to amend the Sunset law and the entity’s authorizing statutes. These bills will be considered separately by the Senate and House Government Operations committees and voted on by the Senate and the House. If passed by both the Senate and House and signed by the Governor, the bill become law. When this happens, the Authority will have a new sunset termination date in statute. Renewal beyond June 30, 2020 cannot be guaranteed; the financial statements do not reflect any adjustments as a result of this uncertainty.

Grantor Agencies

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

Lease Commitment

During the fiscal year, the Authority made payments pursuant to the terms of a lease agreement with NERC. The lease agreement provides for the use of certain NERC equipment, a maintenance facility, office space, side trackage, and related real property. The lease agreement is effective through September 15, 2036 and currently requires minimum annual payments of approximately \$57,000. The agreement further provides for adjustments to the minimum annual payment every three years to reflect changes in the consumer price index (“CPI”). The current monthly lease payment is \$4,773. See also Note H.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

E. COMMITMENTS AND CONTINGENCIES - Continued

The total of lease payments for the year ended June 30, 2017, was \$56,694. The future minimum rental payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 57,276
2019	57,276
2020	57,276
2021	57,276
2022	57,276
2023 - 2027	286,380
2028 - 2032	286,380
2033 - 2037	<u>241,037</u>
	<u>\$1,100,177</u>

Contracts

The Authority is committed to a contract to purchase operations and maintenance services in connection with the commuter rail operations. Under the contract, the vendor supplies certain labor to operate the trains as well as certain maintenance and repair of rolling stock and facilities. The contract was for a term of five years, which expired in September 2016 and was extended through May 2017. The contract states a base monthly payment amount as well as charges for additional services. The Authority incurred \$1,805,190 under the contract in fiscal year 2017. The service has been extended through an active purchase order through June 2018 until a new five year contract can be codified. The request for proposal process has been completed with the current operations and maintenance service provider being selected by the RTA Board in September 2017, authorizing the RTA CEO to enter into contract negotiations. It is anticipated that the new five year contract will be completed in fiscal year 2018 with an anticipated cost of approximately \$9,500,000 for the five year period.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,968,344	\$ -	\$ -	\$ 2,968,344
Construction in progress	<u>254,258</u>	<u>184,740</u>	<u>(2,717)</u>	<u>436,281</u>
	<u>3,222,602</u>	<u>184,740</u>	<u>(2,717)</u>	<u>3,404,625</u>
Capital assets being depreciated:				
Commuter rail stations	11,288,742	12,383	-	11,301,125
Rolling stock	3,199,260	112,169	-	3,311,429
Vehicles	2,907,211	118,694	(229,958)	2,795,947
Equipment	773,455	27,900	-	801,355
Guideway Improvements	3,305,762	-	-	3,305,762
Park and Rides	<u>978,429</u>	<u>-</u>	<u>-</u>	<u>978,429</u>
	<u>22,452,859</u>	<u>271,146</u>	<u>(229,958)</u>	<u>22,494,047</u>
Less accumulated depreciation:				
Commuter rail stations	(2,913,856)	(350,409)	-	(3,264,265)
Rolling stock	(2,570,821)	(188,556)	-	(2,759,377)
Vehicles	(2,283,116)	(236,415)	229,958	(2,289,573)
Equipment	(243,806)	(78,670)	-	(322,476)
Guideway Improvements	(55,096)	(330,576)	-	(385,672)
Park and Rides	<u>(104,831)</u>	<u>(139,776)</u>	<u>-</u>	<u>(244,607)</u>
	<u>(8,171,526)</u>	<u>(1,324,402)</u>	<u>229,958</u>	<u>(9,265,970)</u>
Capital assets, being depreciated, net	<u>14,281,333</u>	<u>(1,053,256)</u>	<u>-</u>	<u>13,228,077</u>
Capital assets, net	<u>\$ 17,503,935</u>	<u>\$(868,516)</u>	<u>\$(2,717)</u>	<u>\$ 16,632,702</u>
Depreciation was charged to functions as follows:				
Relax and Ride/JARC				\$ 451,125
Commuter Rail				<u>873,277</u>
Total governmental activities depreciation expense				<u>\$1,324,402</u>

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

F. CAPITAL ASSETS - Continued

Construction in progress at June 30, 2017 consisted of the following:

Hamilton Springs Station	\$400,130
TVM Shelters	<u>36,151</u>
	<u>\$436,281</u>

Estimated costs to complete construction in progress at June 30, 2017 totaled approximately \$4,000,000 for the Hamilton Springs Station and \$26,000 for the TVM Shelters. These projects are subject to obtaining certain grant funding.

G. LINE-OF-CREDIT

In April 2015, the Authority entered into an agreement with Fifth-Third Bank for a \$1,500,000 revolving line-of-credit. The line-of-credit was renewed on April 1, 2017. The maturity date is April 1, 2018, and the line-of-credit carries interest at a rate equal to 2.0 percent per annum.

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

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
\$1,500,000 line-of-credit	<u>\$350,000</u>	<u>\$1,220,000</u>	<u>\$(850,000)</u>	<u>\$720,000</u>

For the year ended June 30, 2017, \$18,308 of interest and loan extension fees related to the line-of-credit have been included in the program expenses of the commuter rail-operations and the relax and ride job access reverse commute programs.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

H. TRACK USAGE AGREEMENT

Based on the terms of the Memorandum of Agreement with NERA and NERC, as amended, and as it relates to the Authority's operation of the Music City Star commuter rail, the Authority has agreed to pay NERC for maintenance-of-way services, dispatching services, rail line capacity committed and certain other items. The fee is \$10.46 per train mile for the first twenty-five thousand train miles, \$7.84 per train mile for the next twenty-five thousand train miles, \$5.23 per train mile for train miles in excess of fifty thousand miles, and \$2.61 per reverse train mile, adjusted for any increases in the CPI every five years for the life of the agreement. During fiscal year 2017, the track usage fees totaled \$580,477.

In accordance with the Memorandum of Agreement with NERA and NERC, as further described in Note J, the Authority must maintain a separate cash reserve account of \$1,000,000.

I. ECONOMIC DEPENDENCE

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

J. CASH AND INVESTMENTS

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

Interest rate risk and concentration of credit risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority places no limit on the amount it may invest in any one issuer. During the year ended June 30, 2017, the Authority limited its investment of funds to demand deposits at banking institutions.

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

J. CASH AND INVESTMENTS - Continued

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, 2017, 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.

Restricted cash

As state in Note H above, in accordance with the Memorandum of Agreement with NERA and NERC, the Authority must maintain a separate cash reserve account of \$1,000,000. In addition, according to Section 64-8-206(b)(8), *Tennessee Code Annotated*, the Authority is allowed to establish local assessments for the purposes of paying expenses related to the administration of the Authority's activities, including, but not limited to, the costs associated with insurance policies and deductibles, to be paid by its city, town, metropolitan government and county government members. Local assessments shall not be used for the construction or operation of transportation facilities or services. Since statute specifies the allowable purposes and the limitations of membership dues, they are restricted and are maintained in a separate cash reserve account. As of June 30, 2017, membership dues totaling \$699,203 have accumulated in the cash reserve account. Accordingly, both amounts, totaling \$1,699,203, have been presented as restricted cash with corresponding restricted net position.

ADDITIONAL INFORMATION

REGIONAL TRANSPORTATION AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Program Name	CFDA Number	Pass-Through Entity Identifying Number/Grant Number	Balance		Cash Receipts	Expenditures	Balance June 30, 2017 (Receivable)
			July 1, 2016 (Receivable)	June 30, 2017 (Receivable)			
U.S. Department of Transportation:							
<i>Direct Programs:</i>							
<i>Federal Transit Cluster:</i>							
Urbanized Area Formula Program - 5309	20.500*	TN-55-0001	\$ -	\$ -	\$ -	\$ 26,458	\$ (26,458)
Total CFDA 20.500						26,458	(26,458)
Urbanized Area Formula Program - Capital Cost of Contracting	20.507*	TN-90-X330	-	62,795	62,795	-	-
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X370	(25,729)	101,558	91,321	(15,492)	(15,492)
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X362	(153,386)	548,440	415,102	(20,048)	(20,048)
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X092	-	-	265,051	(265,051)	(265,051)
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X418	-	507,027	507,027	-	-
Urbanized Area Formula Program CMAQ	20.507*	TN-95-X084	(536,402)	1,617,083	1,397,842	(317,161)	(317,161)
Urbanized Area Formula Program - 5307 Bus Seat Guarantee	20.507*	TN-95-X055	(74,519)	74,519	-	-	-
Urbanized Area Formula Program - 5307 - PM	20.507*	TN-90-X377	(191,739)	241,960	58,390	(8,169)	(8,169)
Total CFDA 20.507			(981,775)	3,153,382	2,797,528	(625,921)	(625,921)
Total Federal Transit Cluster			(981,775)	3,153,382	2,823,986	(652,379)	(652,379)
Pass-through Programs:							
Passed through Tennessee Department of Transportation:							
Van Pool Seat Guarantee	20.205	070086-VPSG	(21,538)	21,538	-	-	-
Regional Ridesharing Program	20.205	110068-RS	(80,865)	143,625	141,664	(78,904)	(78,904)
Passed through the Metropolitan Planning Organization:							
Unified Planning Work Program (UPWP) - FHWA planning	20.205	L3449	(109,200)	109,200	-	-	-
Unified Planning Work Program (UPWP) - FTA planning	20.205	L3449	(6,797)	6,797	-	-	-
Total CFDA 20.205			(218,400)	281,160	141,664	(78,904)	(78,904)
Passed through Metropolitan Transit Authority:							
Job Access Reverse Commute	20.516	TN-37-X088	(8,830)	57,777	53,600	(4,653)	(4,653)
Total CFDA 20.516			(8,830)	57,777	53,600	(4,653)	(4,653)
Total expenditures of federal awards			\$ (1,209,005)	\$ 3,492,319	\$ 3,019,250	\$ (735,936)	\$ (735,936)

* Federal Transit Cluster; major program under OMB Uniform Guidance.

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

REGIONAL TRANSPORTATION AUTHORITY
Schedule of Expenditures of State Awards
For the Year Ended June 30, 2017

Program Name	Contract Grant Number	Balance July 1, 2016 (Receivable)	Cash Receipts	Expenditures	Balance June 30, 2017 (Receivable)
Tennessee Department of Transportation:					
Urbanized Area Formula Program - Capital Cost of Contracting	TN-90-X330	\$ (3,507)	\$ 11,356	\$ 7,849	\$ -
Operating Assistance	98-UROP-S3-010	-	578,100	578,100	-
Urbanized Area Formula Program - 5307 - PM	TN-90-X370	(3,215)	12,694	11,415	(1,936)
Urbanized Area Formula Program CMAQ	TN-95-X084	(118,436)	64,501	152,155	(206,090)
Urbanized Area Formula Program - 5307 - PM	TN-90-X362	(44,915)	94,295	51,886	(2,506)
Urbanized Area Formula Program - 5307 - PM	TN-90-X377	(32,171)	38,449	7,299	(1,021)
Urbanized Area Formula Program - 5307 - PM	TN-90-X418	-	-	63,378	(63,378)
Relax and Ride Operating Assistance	GG-16-50767-00	(286,127)	572,254	286,127	-
Passed through Metropolitan Transit Authority					
Job Access Reverse Commute	TN-37-X088	(6,572)	6,742	26,802	(26,632)
Total expenditures of state awards		<u>\$ (494,943)</u>	<u>\$ 1,378,391</u>	<u>\$ 1,185,011</u>	<u>\$ (301,563)</u>

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

REGIONAL TRANSPORTATION AUTHORITY
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2017

A. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include award activity of RTA under programs of the federal and state government, respectively, for the year ended June 30, 2017. The information in the schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”) and the schedule of expenditures of state awards is presented in accordance with the requirements of the State of Tennessee. Because these schedules present only a selected portion of the operations of RTA, they are not intended to and do not present the financial position or changes in net position of RTA.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules of expenditures of federal and state awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Certain amounts shown on the schedules of expenditures of federal and state awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

C. CONTINGENCY

The grant revenue amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of RTA. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

D. DE MINIMIS INDIRECT COST RATE

RTA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

E. SUBRECIPIENTS

There were no amounts passed through to subrecipients during the year ended June 30, 2017.

OTHER REPORTS



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

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Regional Transportation Authority (the "Authority") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2017.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be material weaknesses.



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*.

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority'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.

Crosslin, PLLC

Nashville, Tennessee
December 5, 2017



Independent Auditor's Report on Compliance for the Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance

Board of Directors
Regional Transportation Authority
Nashville, Tennessee

Report on Compliance for the Major Federal Program

We have audited the Regional Transportation Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
December 5, 2017

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes x no

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

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

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? yes x no

Identification of major programs:

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

20.500/20.507	Federal Transit - Formula Grants (Urbanized Area Formula)
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

2017-001 - Fare Revenue Collection Processes

Criteria or specific requirement

The Regional Transportation Authority (“RTA”) utilizes various process to collect fare revenues for the services it provides. Specifically, fare collection processes include ticket sales and fare validation. All fares for services provided should be collected and deposited within RTA’s bank accounts.

Condition

During June 2016, RTA management requested an internal control review of the fare revenue collection processes. As part of the review, we observed the fare collection processes as stated to be in place by RTA, including ticket sales, fare validation, cash fare collections, ticket inventory management and reconciliation of revenue and ridership. As a result of the review and our related observations, we noted that not all existing polices are being followed and additional policies and processes should be implemented. We made several recommendations to management to improve the revenue collection processes.

Context

RTA provides various transit services within Middle Tennessee, including the Music City Star, a regional commuter rail, and Relax and Ride, a regional commuter bus service. RTA charges standard fares to its customers for providing these services. Fares are reported as revenues in the financial statements and are used to support RTA’s operating costs. RTA contracts with third party vendors for a significant portion of its operations.

Effect

If internal controls are not operating effectively, fare revenues that should be collected for services provided may not be appropriately collected, deposited into RTA’s bank account and reflected in the financial statements.

Cause

The established fare revenue collection policies and related processes are not being followed in all instances. Additional processes are also needed to add additional controls and to ensure that existing policies are being followed and operating effectively.

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

A. Internal Control Findings - Continued

2017-001 - Fare Revenue Collection Processes - Continued

Recommendations

As part of the internal control review, we made several recommendations to management, which are summarized as follows:

- RTA officials should have regular meetings with the third-party vendors employing bus drivers and train operators to continually review their procedures. This should include ensuring that all bus and train passengers are checked for a fare card, Easy Ride card, or some form of payment for rides on-board R&R bus routes.
- Additionally, it is recommended that RTA develop and utilize a robust secret rider / route checker program. Such secret riders should ride buses and trains to ensure fare validation is occurring in accordance with RTA policy. All routes should be covered by the secret rider program using regular but random methodology.
- RTA should consider installing, or requiring the vendor to install, cameras in all vehicles and train cars. Video footage should be regularly reviewed to ensure that fare validation is occurring, and to protect RTA in any other questionable areas or events.
- RTA should develop and install signage at all stations and in all vehicles informing customers that they should always be asked to validate their fares. The signage should instruct customers that if an operator does not properly validate a fare, the customer should call RTA's Customer Care to describe the situation.
- RTA should perform a monthly surprise count of unsold tickets and related cash on hand for sold tickets for each train conductor's bag. This will ensure completeness of support for all 60 tickets issued by RTA to each conductor.
- RTA should investigate with its software vendor the possibility of creating a database report to reflect inventory by ticket type as well as by sequence number issued to each specific location. This report could then be used to reconcile ticket inventory reported as sold and ticket inventory reported as unsold by location. This process and reconciliation will help to account for the complete population of inventory issued by RTA to the respective locations and help to ensure any missing or potentially stolen tickets are detected on a timely basis.
- The RTA Fare Administrator should run a report listing all tickets that are still held in stock with RTA by sequential number. RTA should compare beginning serial numbers on this report to the next physical ticket number available to be pulled for ticket orders. If the ticket numbers differ, RTA should timely investigate the discrepancy. Additionally, a person independent of the Fare Media Administrator should perform periodic surprise physical inventory counts of the ticket stock and compare the stock on-hand to the available tickets report.

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS - Continued

A. Internal Control Findings - Continued

2017-001 - Fare Revenue Collection Processes - Continued

- In order to more precisely ensure that State Easy Ride passengers counts are properly reflected on invoices to the State, it is recommended that RTA perform counts of State Easy Ride passengers on a more frequent basis. Specifically, RTA should follow the procedures for passenger sampling which are prescribed in the National Transit Database and Federal Transit Administration Circulars. Using these sampling and counting strategies will help to ensure that RTA has an appropriate basis for determining ridership levels and for invoicing the State.
- RTA should develop detailed analysis relating to passengers ridership and the related revenues. Specifically, ridership statistics should be compared to related revenues collected on a routine basis (i.e., at least monthly). Reports should be developed for analyses by Senior Management and the Board to review revenue and ridership trends. Revenue per ride statistics should be compared to fare prices for reasonableness. Relevant revenue and ridership reports, coupled with the other recommendations in this report will help to identify any material inconsistencies in revenues.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with the findings identified in the auditor report. See pages 44 through 45 for the planned corrective actions and respective target dates for each recommendation noted above.

B. Compliance Findings

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

REGIONAL TRANSPORTATION AUTHORITY
 VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
 2017-001 - FARE REVENUE COLLECTION PROCESSES
 YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Corrective Action Plan	Target Date
<p>RTA officials should have regular meetings with the third-party vendors employing bus drivers and train operators to continually review their procedures. This should include ensuring that all bus and train passengers are checked for a fare card, EasyRide card, or some form of payment for rides provided.</p>	<p>1 RTA management was already meeting with vendors on a regular basis on a variety of topics. Going forward, the meetings will occur, at a minimum, on a monthly basis and will include a review of fare collection processes and procedures and a review of any customer complaints or issues raised through a new secret rider program being implemented.</p>	<p>March 1, 2017 and ongoing</p>
<p>RTA should develop and utilize a robust secret rider/route checker program. Such secret riders should ride buses and trains to ensure fare validation is occurring in accordance with RTA policy. All routes should be covered by the secret rider program using regular but random methodology.</p>	<p>2 RTA is currently out to bid for a third-party vendor to perform secret ride checks on both bus and train services as well as several other areas, from observation of security to monitoring of customer care. Once in place, the vendor will be expected to perform at least 36 observations per month. Observations will be conducted based on a weighted sample of bus and train routes provided by RTA. They will also develop a scoring matrix based on input from RTA Board or senior management.</p>	<p>December 1, 2017</p>
<p>RTA should consider installing, or requiring the vendor to install, cameras in all vehicles and train cars. Video footage should be regularly reviewed to ensure that fare validation is occurring, and to protect RTA in any other questionable areas or events.</p>	<p>3 RTA is looking into installation of cameras on the train through its capital projects budget. In discussions with its bus vendor, the capital outlay would be too great for the vendor to consider, especially since vendor buses are used for other things besides public transportation. Management feels that the secret rider program will be effective enough to overcome not having cameras on the buses.</p>	<p>No definitive date. Depends on availability of Capital Funding. ongoing</p>
<p>RTA should develop and install signage at all stations and in all vehicles informing customers that they should always be asked to validate their fares. The signage should instruct customers that if an operator does not properly validate a fare, the customer should call RTA's Customer Care to describe the situation.</p>	<p>4 RTA has already installed new signage on the trains informing riders that all tickets must be validated. Verbiage on the signs is currently being updated to include a hotline to call if their tickets are not validated or checked. Management has identified a location on the third-party buses to post similar signage and is in the process of installing appropriate signage.</p>	<p>March 31, 2017</p>
<p>RTA should perform a monthly surprise count of unsold tickets and related cash on hand for sold tickets for each train conductor's bag. This will ensure completeness of support for all 60 tickets issued by RTA to each conductor.</p>	<p>5 RTA management is currently developing a schedule to perform surprise inspections of conductor ticket bags to ensure accuracy and compliance. Surprise inspections will begin in April 2017 and will occur randomly going forward.</p>	<p>April 2017 and ongoing</p>

REGIONAL TRANSPORTATION AUTHORITY
 VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS
 2017-001 - FARE REVENUE COLLECTION PROCESSES
 YEAR ENDED JUNE 30, 2017

Finding/Recommendation	Corrective Action Plan	Target Date
<p>RTA should investigate with its software vendor the possibility of creating a database report to reflect inventory by ticket type as well as by sequence number issued to each specific location. This report could then be used to reconcile ticket inventory reported as sold and ticket inventory reported as unsold by location. This process and reconciliation will help to account for the complete population of inventory issued by RTA to the respective locations and help to ensure any missing or potentially stolen tickets are detected on a timely basis.</p>	<p>RTA has worked with its software vendor and created separate databases for each location selling tickets that will allow for RTA's Fare Administrator to examine by ticket type and/or ticket sequence. The separate databases are updated monthly for tickets sold or issued to consignees in order to maintain control of all ticket inventory.</p>	<p>Completed February 1, 2017</p>
<p>The RTA Fare Administrator should run a report listing all tickets that are still held in stock with RTA by sequential number. RTA should compare beginning serial numbers on this report to the next physical ticket number available to be pulled for ticket orders. If the ticket numbers differ, RTA should timely investigate the discrepancy. Additionally, a person independent of the Fare Media Administrator should perform periodic surprise physical inventory counts of the ticket stock and compare the stock on-hand to the available tickets report.</p>	<p>RTA has worked with its software vendor to create a report in the bulk sales module that will be used each time a ticket order is filled to verify the previous ending serial number ensuring tickets are sold in sequence. Effective February 15, 2017, RTA's Fare Administrator began utilizing the report successfully. A new process has also been implemented that someone independent of the Fare Administrator will conduct surprise inventory checks at least once per quarter and document and investigate any discrepancies.</p>	<p>Completed February 15, 2017 and ongoing</p>
<p>In order to more precisely ensure that State EasyRide passenger counts are properly reflected on invoices to the State, it is recommended that RTA perform counts of State EasyRide passengers on a more frequent basis. Specifically, RTA should follow the procedures for passenger sampling which are prescribed in the National Transit Database and Federal Transit Administration Circulars. Using these sampling and counting strategies will help to ensure that RTA has an appropriate basis for determining ridership levels and for invoicing the State.</p>	<p>RTA management has already tested three electronic counting software systems not only for State EasyRide passengers, but for all passengers that validate their train ride with a smart card. Since February 1, 2017, RTA has been building a passenger database based upon the radio frequency identification (RFID) number imbedded in the cards. Effective March 31, 2017, a 100% count will be done on all train trips and the RFID software will allow us to do 100% billing for all rides to our EasyRide customers and effectively guarantee 100% collection of all fare revenues.</p>	<p>March 31, 2017 and ongoing</p>
<p>RTA should develop detailed analysis relating to passengers ridership and the related revenues. Specifically, ridership statistics should be compared to related revenues collected on a routine basis (i.e., at least monthly). Reports should be developed for analyses by Senior Management and the Board to review revenue and ridership trends. Revenue per ride statistics should be compared to fare prices for reasonableness. Relevant revenue and ridership reports, coupled with the other recommendations in this report will help to identify any material inconsistencies in revenues.</p>	<p>RTA has already developed statistical analysis worksheets to review average fare collections per customer that will raise red flags when there is an exception outside normal trends to investigate. This is now being reviewed on a monthly basis.</p>	<p>February 1, 2017 and ongoing</p>

REGIONAL TRANSPORTATION AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status
2016-001	Fare Revenue Collection Process	Partially Repeated/ Partially Corrected See Finding 2017-001

Federal Awards Findings and Questioned Costs

None reported.