

Comprehensive Annual Financial Report

For the year ended September 30, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2018



CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
AUSTIN, TEXAS

Prepared by the Finance Department

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Capital Metropolitan Transportation Authority

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	ix
Certificate of Achievement for Excellence in Financial Reporting	xiii
Board of Trustees and Administration	xiv
Organizational Chart	xv
Service Area	xvi

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Financial Statements	
Statements of Net Position	10
Statements of Revenue, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
Required Supplementary Information	
Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. schedules of changes in net position liability and related Ratios	46
Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc. schedule of plan contributions	47
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedules of changes in net pension liability and related ratios	48
Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees schedule of plan contributions	49
Capital Metropolitan Transportation Authority Other Post Employment Benefits – Schedule of changes in the total OPEB liability and related ratios	50

STATISTICAL SECTION

Condensed Statement of Net Position	53
Changes in Net Position	54
Revenue by Source	55
Sales Tax Revenue	56
Estimated Sales Tax Receipts by City	57
Long-Term Debt	58
Debt - Net Revenue Coverage Ratio	59
Demographic and Economic Statistics	60
Principal Employers	61
Expenses by Object Class	62
Operating Statistics	63
Capital Assets	66
Total Employees	67
Farebox Recovery Percentages	68
Fare Structure	68

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2018 Comprehensive Annual Financial Report
Introductory Section

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March 25, 2019

Dear Central Texas Community,

On behalf of the board of directors of Capital Metropolitan Transportation Authority, I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the year ending September 30, 2018.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal control is designed to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of Capital Metro in accordance with U.S. generally accepted accounting principles ((GAAP) for local government units and the auditor's opinion on the fair presentation of the financial statements is unmodified. All disclosures necessary to enable the reader to gain an understanding of Capital Metro's financial affairs have been included.

During Fiscal Year 2018, Capital Metro continued its upward trend by focusing even further on the customer experience and successfully implementing a bus network redesign in the most significant service change in the agency's history. By committing to improve Capital Metro's financial position, the agency has been able to reinvest in our service area.

Capital Metro Profile

Capital Metro is delivering on its promise to connect people, jobs and communities with quality transportation options. In FY2018, Capital Metro provided about 30 million rides on the agency's buses, trains and vans.

With a fleet of more than 400 buses, Capital Metro provides Local, MetroRapid and MetroExpress bus routes, shuttle service to The University of Texas at Austin and parallel door-to-door service for eligible riders with disabilities.

Ridership on MetroRail, a 32-mile commuter rail line between Leander and downtown Austin, has increased by about 400 percent since the service began in 2010. In FY2018, MetroRail provided more than 810,000 rides.

The agency operates a vanpool program called MetroRideShare that features more than 240 groups and 1,400 participants. Capital Metro also works in partnership with the Capital Area Rural Transportation System (CARTS) to offer transportation to select outlying areas surrounding Austin.

Beyond its passenger rail service, Capital Metro moves freight along its own 154-mile railroad line between Llano and Giddings. In FY2018, the freight rail operation shipped cargo on more than 58,280 rail cars, removing over 233,120 semi-trucks from our roadways, a 20 percent increase over FY2017.

Capital Metro was created in 1985, after voters in Austin and the surrounding area approved its creation in accordance with Chapter 451 of the Texas Transportation Code. Capital Metro provides service to nearly 1.3 million residents within a 535-mile service area that includes the cities of Austin, Manor, San Leanna, Jonestown, Lago Vista, Leander, Point Venture and unincorporated portions of Travis and Williamson counties. These communities contribute one percent sales tax to help fund the services provided by Capital Metro.

Governance

Capital Metro is governed by an eight-member board of directors. The board consists of three members appointed by the Capital Area Metropolitan Planning Organization (CAMPO), including an elected official; one member representing the small cities in Capital Metro's service area; a member each appointed by the Travis County commissioners and Williamson County commissioners; and two members appointed by the Austin City Council, one of whom must be a member of the Austin City Council.

The board is responsible for adopting policies relative to the operation, control and management of the agency. The board members also hire the president/chief executive officer, who has the responsibility of providing leadership and direction to ensure that Capital Metro meets its mission, goals and objectives. In July 2017, Linda Watson announced she would retire as president/CEO, and the board of directors led the search process for her replacement.

Capital Metro implemented a new business model in 2012 to streamline operations and improve its business practices. Capital Metro now contracts with private companies to operate all passenger service, including fixed-route, rail and paratransit service. Capital Metro's service providers are RATP Dev North America, MV Transportation, CARTS, Herzog Contracting Corporation and Ride Right.

Our Workforce

Capital Metro helps the local economy by employing and contracting a diverse workforce of approximately 1,800. Capital Metro strives to be an employer of choice in the Austin area and the transit industry by providing competitive benefits and pay, as well as nationally recognized programs that contribute to employees' well-being.

Capital Metro's award-winning wellness program includes three 24-hour fitness centers, personal training, nutrition counseling and healthy cafeteria options, among other benefits. Since the inception of the wellness program, employee health care costs and absenteeism rates have trended downward, while morale has improved.

Capital Metro offers other benefits that contribute to a motivated workforce. These include flexible work schedules; telecommuting; leadership training, professional development and career advancement programs; and a top notch, on-site child care facility.

Budget Control

By state law, Capital Metro's board of directors must adopt an annual budget driven by an approved strategic plan that outlines the agency's priorities. The budget must be adopted before the beginning of each fiscal year and before Capital Metro conducts any business in the new fiscal year. The budget is amended if operating expenditures will exceed the budgeted amount. To continue efforts toward fiscal responsibility, the board has approved a five-year capital improvement plan.

Control of the budget is maintained at the department level with overview responsibility exercised by the budget director. It is the responsibility of each department manager to administer operations in such a manner as to ensure that the use of funds is consistent with the goals and objectives in the strategic plan, and that the department remains within its budget.

Accountability and Transparency

As a steward of public funds and public trust, Capital Metro strives for both financial accountability and transparency. Capital Metro posts detailed financial information on its website. Capital Metro's five-year

capital improvement plan and improved financial reporting and budget development processes help ensure the appropriate level of accountability and oversight.

Local Economic Outlook

Continuing the growth experienced over the past few years, in 2018 the Milken Institute's Center for Jobs and Human Capital ranked Austin at number 3 among the 10 best performing cities in the United States up from number nine the year before.

The U.S. Bureau of Labor Statistics ranked Austin number 4 among the Fastest Growing Top 50 Metro Areas, up from number 6 in 2017. Austin's adjusted unemployment rate at the end of FY2018 of 2.9 percent. Unemployment has been at or below 3 percent for the 16 months as of December 2019, according to the Chamber of Commerce. For the year, Texas added an estimated 36,800 nonfarm jobs.

Approximately 150 people move to the region daily, adding 100 new cars to the area's roadways.

To address the region's traffic congestion issues of today and be prepared for the growth and demand for reliable transportation, Capital Metro has partnered with the city of Austin and Capital Area Metropolitan Planning Organization (CAMPO) on Project Connect, a long-term vision for high-capacity transit in Central Texas. The multiyear process will result in a regional public transportation system that will transform Central Texas for generations to come.

In June, the agency implemented Cap Remap, the most significant change to our bus network in the agency's history. Cap Remap made changes to more than half of Capital Metro's routes and tripled the number of MetroBus routes in our High-Frequency Network and expanded that expanded service to weekends also. The improved service resulted in ridership gains systemwide.

The agency has worked with cities outside our current service area through local government corporations or interlocal agreements to provide much-needed transportation service to some of the fastest growing areas in the region, including Georgetown, Pflugerville, Round Rock, Hutto and Buda. After service began in Round Rock and Georgetown began during 2017, agency staff was able to reach agreement with Travis County to extend service to parts of the county that are outside of the Capital Metro service area.

The Austin region continues to be a magnet for special events: South By Southwest; the Austin City Limits Music Festival's two weekends; the United States Grand Prix at the Circuit of the Americas, attended by international race fans; and other festivals, including Pecan Street Festival, in both the spring and the fall, and the Moontower Comedy Fest, continue to bring in tourists from around the country and world. These events provide a significant positive economic impact and increased exposure for Austin on a national stage while providing Capital Metro with the opportunity to service new riders.

Management's Discussion and Analysis

Capital Metro's management is responsible for the accuracy, reliability and presentation of the financial information contained within the CAFR. The report includes all necessary disclosures and other information that enable the reader to gain an understanding of Capital Metro's financial activities.

Generally accepted accounting principles require that management provide a narrative introduction, overview and analysis to the accompanying basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. Capital Metro's MD&A can be found directly following the independent auditor's report.

Capital Metro has again received the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) from the Government Finance Officers Association (GFOA). This award is destined to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the dedicated service of Finance Department staff members. Capital Metro also thanks its board of directors for their continuing support, and to the customers and taxpayers for whom we work.

Respectfully submitted,



Randy Clarke
Capital Metro President & Chief Executive Officer



Reinet Marneweck
Capital Metro Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Capital Metropolitan Transportation
Authority, Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morill

Executive Director/CEO

Capital Metropolitan Transportation Authority
Board of Trustees and Administration

BOARD OF TRUSTEES

Wade Cooper, Chairman

Delia Garza, Vice Chair

Juli Word, Secretary

Rita Jonse

Terry Mitchell

Jeffrey Travillion

Ann Kitchen

Sabino Renteria

APPOINTING BODY

Capital Area Metropolitan Planning Organization

City of Austin

Williamson County Commissioner's Court

Small Cities Elected Official Representative

Capital Area Metropolitan Planning Organization

Travis County

City of Austin

City of Austin

ADMINISTRATION

Randy Clarke

President/Chief Executive Officer

Elaine Timbes

Deputy Chief Executive Officer, Chief Operating Officer

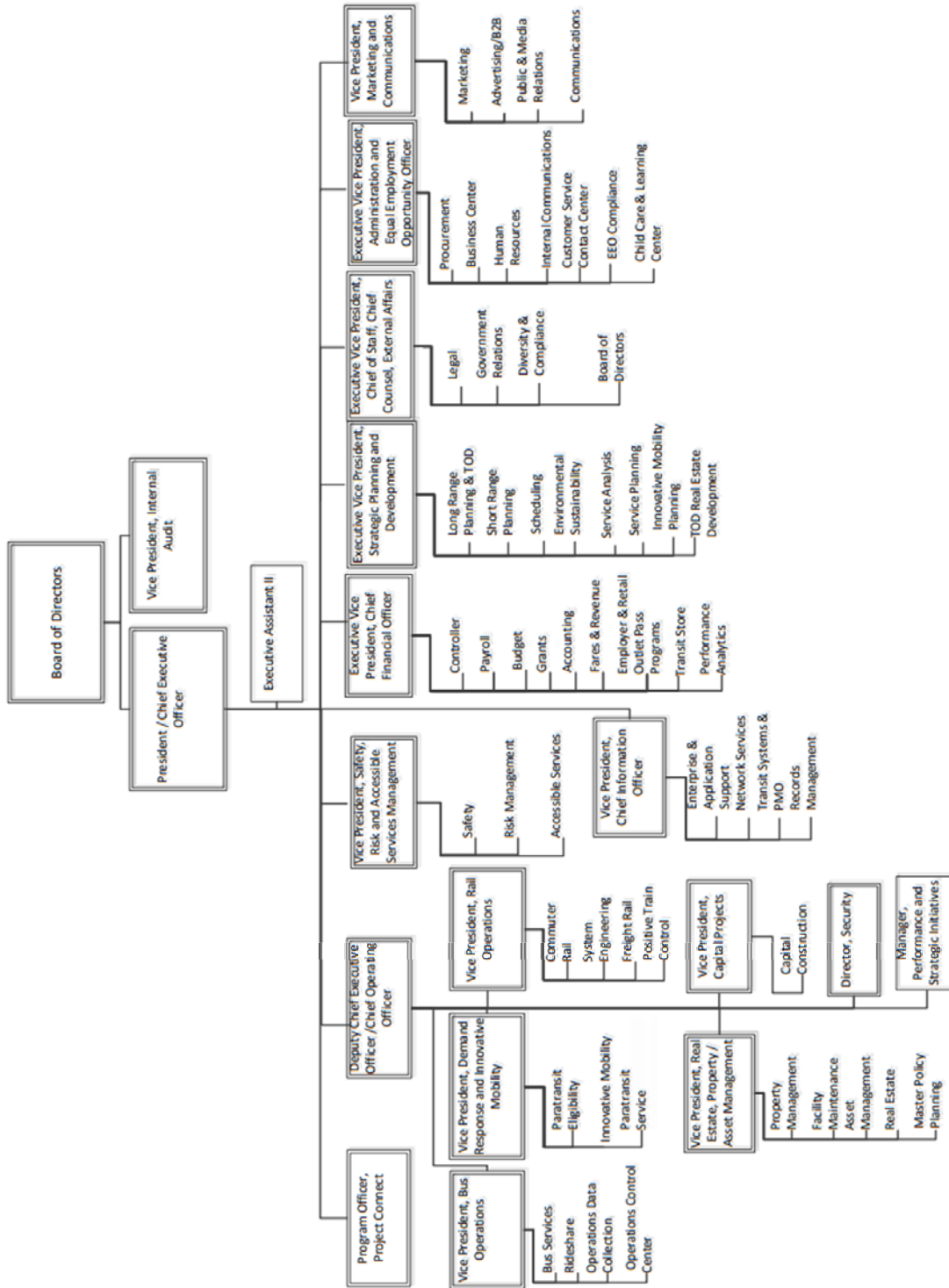
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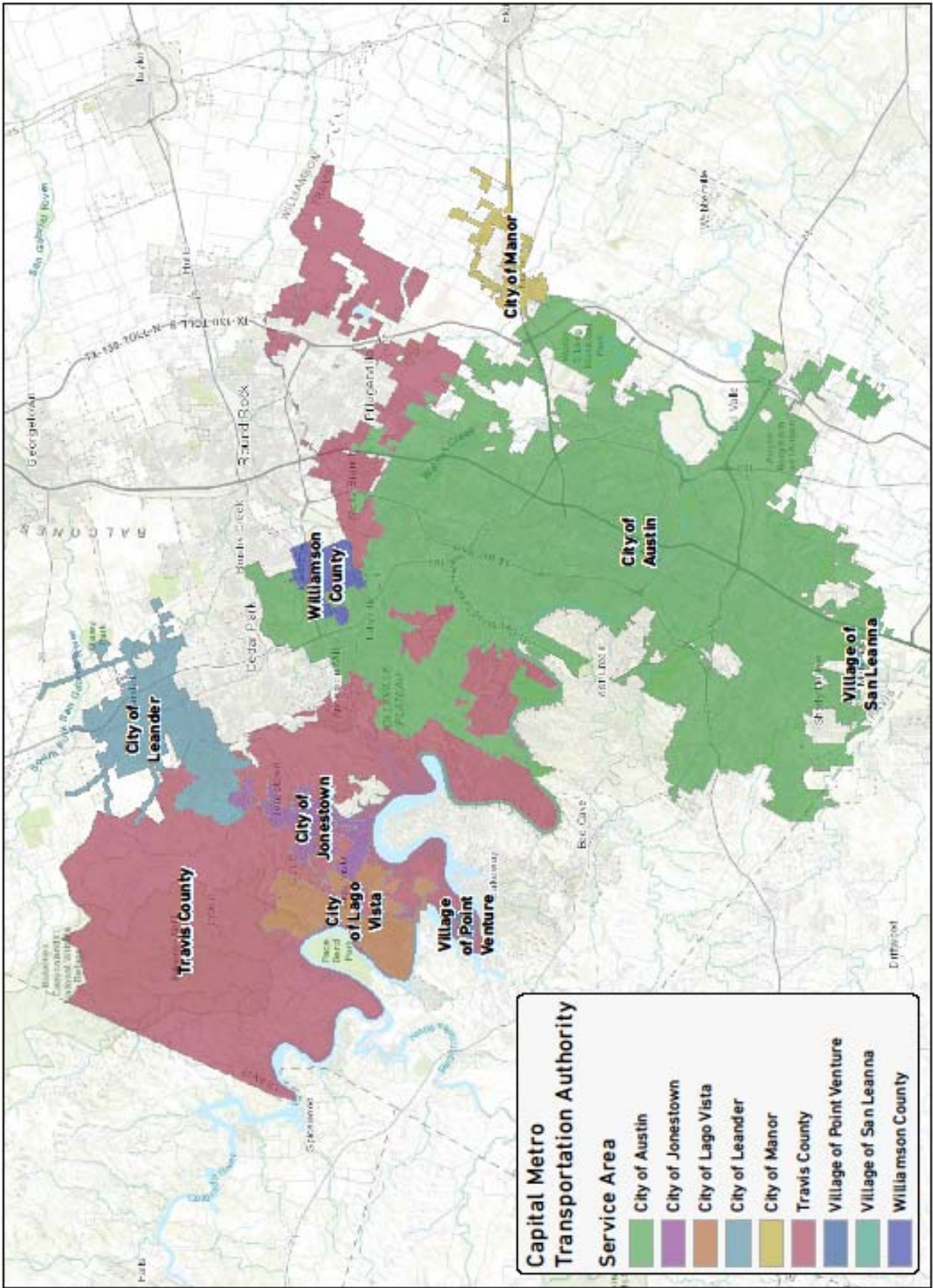
Executive Vice President, Chief Financial Officer

Kerri Butcher

Chief Counsel

Capital Metropolitan Transportation Authority







2018 Comprehensive Annual Financial Report
Financial Section

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RSM US LLP

Independent Auditor's Report

To the Finance, Audit, and Administration Committee
of the Board of Directors
Capital Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Metropolitan Transportation Authority (the Authority) as of and for the year ended September 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 14 to the basic financial statements, the Authority adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), which restated beginning net position to record the total OPEB liability. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. Schedules of Changes in Net Position Liability and Related Ratios, Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc. Schedule of Plan Contributions, Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees Schedules of Changes in Net Pension Liability and Related Ratios, Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees Schedule of Plan Contributions and Capital Metropolitan Transportation Authority Other Post Employment Benefits – Schedule of Changes in the Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Introductory and Statistical Sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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.

RSM US LLP

Austin, Texas
March 7, 2019

Capital Metropolitan Transportation Authority
Management's Discussion and Analysis—(Unaudited)—September 30, 2018 and 2017

This section of the financial statements of the Capital Metropolitan Transportation Authority (CMTA, Capital Metro or the Authority) offers a narrative overview and analysis of the financial activities for fiscal year ended September 30, 2018. The information contained within the Management Discussion and Analysis (MD&A) should be considered only part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the footnotes and other supplementary information that is provided in addition to this MD&A.

Financial Highlights

- Net position was \$567.2 million as of September 30, 2018. Prior to implementation of GASB Statement No. 75, net position as of September 30, 2017 was \$500.7 million. After implementation, the adjusted net position at October 1, 2017 was \$498.4 million, an increase of \$68.8 million from the restated net position, for the year ended September 30, 2017. (Table A-1).
- The FY 2018 sales tax revenue was \$243.6 million compared to \$228.5 million in FY 2017. This represents an increase of 6.6% over 2017. Transportation fares decreased from \$13.5 million in FY 2017 to \$12.0 million in FY18. Commuter rail increased slightly from \$2.5 million in revenue for FY 2017 to \$2.6 million in FY 2018. Rail freight revenue also showed an increase from \$4.5 million in FY 2017 to \$5.5 million in FY 2018. (Table A-2).
- Operating expenses (including depreciation) were \$282.2 million for FY 2018 compared to \$268.5 million for FY 2017, an increase of 5.1% (Table A-3).
- Payments of approximately \$6.6 million in FY 2018 and \$6.9 million in FY 2017 were made for regional mobility projects (Table A-4).
- Capital assets (net of depreciation) increased by \$34.4 million to \$406.1 million in fiscal year 2018 from \$371.7 million as of September 30, 2017 (Table A-5).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to CMTA's financial statements. The financial statements are comprised of: 1) financial statements, 2) notes to the financial statements, and 3) required supplementary information.

The Statement of Net Position reports CMTA's assets, deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. This is a measure of financial position, which can indicate financial condition improvement or deterioration from year to year.

The Statement of Revenue, Expenses and Changes in Net Position present information showing how CMTA's net position changed during the fiscal year. Operating revenue consists of transportation fares, contract revenue and rail freight fees. Other non-operating revenue includes a one percent sales and use tax which comprises 68.1% of all revenues in FY 2018, and 71% of all revenues in FY 2017, as well as investment income, other income and operating contributions. Operating expenses include providing bus service, commuter rail service, maintenance, security and administration for CMTA. Non-operating expenses include funding for regional mobility projects.

Capital Metropolitan Transportation Authority
Management's Discussion and Analysis—(Unaudited)—September 30, 2018 and 2017

The Statement of Cash Flows reports cash and cash equivalents activities for the fiscal year resulting from operating activities, non-capital financing activities, capital and related financing activities and investing activities.

The Notes to the Financial Statements provide additional information necessary to fully understand the data provided in the financial statements.

Required Supplementary Information (unaudited) includes the progress in funding CMTA's obligation to provide pension benefits to its former employees and to its administrative employees and is required supplementary information by accounting principles generally accepted in the United States of America.

FINANCIAL ANALYSIS

Net Position

Total net position may serve, over time, as a useful indicator of an entity's financial position. The total net position of CMTA increased \$68.8 million, from the restated amount to \$567.2 million in FY 2018, primarily due to an increase in sales and use tax, increases in federal and other capital contributions, and an offset due to an increase in purchased transportation and depreciation expense. The agency continued to increase net position in order to fund capital improvements for service enhancements, to meet Federal regulatory requirements, and to maintain transit assets in a state of good repair.

Total assets and deferred outflows increased to \$696.6 million in FY 2018 from \$642.7 million in FY 2017 due primarily to increased depreciable assets, net of depreciation, and projects in process, offset by decrease in cash and investment balances accumulated to fund those capital improvement projects.

Current liabilities decreased \$6.8 million from \$63.6 million in FY 2017 to \$56.8 million in FY 2018 due to a decrease in accrued expenses related to timing of purchased transportation payments, and a repayment of short-term notes payable. Long-term liabilities decreased from approximately \$76.6 million in FY 2017 to \$66.7 million for FY 2018 primarily due to expenses incurred against the Texas Department of Transportation grant which were received in advance in 2015 and the full repayment of the notes payable.

Comparative amounts for the prior year have been presented in order to provide an understanding of changes in Capital Metro's financial position and operations.

Table A-1
Summary Information of CMTA’s Net Position
(in millions of dollars)

	FY 2018	FY 2017
Current assets	\$ 152.8	\$ 171.6
Capital assets, net	406.1	371.7
Other noncurrent assets	128.3	88.4
Total assets	687.2	631.7
Deferred outflow of resources	9.4	11.0
Current liabilities	56.8	63.6
Long-term liabilities	66.7	76.6
Total liabilities	123.6	140.2
Deferred inflows	5.8	1.8
Net position		
Net investment in capital assets	403.3	356.2
Unrestricted	163.9	144.5
Total net position*	\$ 567.2	\$ 500.7

*FY 2018 restated for GASB No. 75. See Note 14.

Certain unrestricted assets are designated through Board directive for specific uses. As of September 30, 2018 the CMTA Board has designations of \$39.7 million for a statutory operating reserve, \$19.8 million for a budget stabilization reserve, and \$1.3 million for self-insurance.

Commitments

CMTA has a capital spending plan for projects for upcoming and future years. CMTA’s contractual commitments related to its capital improvement plan are \$74.5 million as of September 30, 2018. CMTA has also executed contracts with various goods and services providers totaling \$308.9 million extending to September 2035. CMTA is contractually committed to the Build Central Texas Program and Mobility Programs with the City of Austin and the Suburban Communities Program. These programs are detailed in Note 8 in the Notes to the Financial Statements.

Change in Net Position

The change in net position for FY 2018 was an increase of \$68.7 million or 13.8% of total beginning net position. Total operating revenue remained stable, with increased operating expenses and non-operating revenue noted on the following page (Table A-2).

Capital Metropolitan Transportation Authority
Management's Discussion and Analysis—(Unaudited)—September 30, 2018 and 2017

Table A-2
Summary Information of Changes in CMTA's Net Position
(in millions of dollars)

	<u>FY 2018</u>	<u>FY 2017</u>
Operating revenue:		
Transportation fares	\$ 12.0	\$ 13.5
Contract revenue and fares	9.0	8.2
Rail—freight	5.5	4.5
Transportation fares—commuter rail	2.6	2.5
Total operating revenue	<u>29.1</u>	<u>28.7</u>
Operating expenses:		
Purchased transportation	152.4	143.5
Depreciation and amortization	44.0	39.2
Services	19.1	18.6
Salary and wages	23.4	22.2
Materials and supplies—fuel and fluid	12.1	12.3
Employee benefits	19.2	22.0
Leases and other	4.8	4.1
Utilities	2.8	2.8
Casualty and liability	1.3	0.5
Materials and supplies—other	3.1	3.3
Total operating expenses	<u>282.2</u>	<u>268.5</u>
Operating loss	<u>(253.1)</u>	<u>(239.8)</u>
Non-operating revenue (expenses):		
Sales and use tax	243.6	228.5
Investment income	2.0	1.4
Other income, net	2.1	2.4
Operating contributions	53.4	30.8
Build Central Texas Program	(0.4)	(2.9)
Mobility programs	(6.2)	(4.0)
Total non-operating revenue (expenses)	<u>294.5</u>	<u>256.2</u>
Income before contributions	41.4	16.4
Capital contributions	27.4	29.9
Change in net position	68.8	46.3
Total net position, beginning of the year*	<u>498.4</u>	<u>454.5</u>
Total net position, end of the year	<u>\$ 567.2</u>	<u>\$ 500.8</u>

*FY 2018 restated for GASB No. 75. See Note 14

Capital Metropolitan Transportation Authority
Management’s Discussion and Analysis—(Unaudited)—September 30, 2018 and 2017

Operating Expenses

FY 2018 operating expenses increased 5.1% to \$282.2 million from \$268.5 million in FY 2017, primarily due to increased costs for purchased transportation costs for increased transit services and depreciation expense, offset a decrease in employee benefits due to lower pension expenses.

Table A-3
Information on CMTA’s Total Operating Expenses (including depreciation)
(in millions of dollars)

	FY 2018	FY 2017
Purchased transportation	\$ 152.4	\$ 143.5
Depreciation and amortization	44.0	39.2
Services	19.1	18.6
Salary and wages	23.4	22.2
Materials and supplies—fuel and fluid	12.1	12.3
Employee benefits	19.2	22.0
Leases and Other	4.8	4.1
Utilities	2.8	2.8
Casualty and liability	1.3	0.5
Materials and supplies—other	3.1	3.3
Total operating expenses	\$ 282.2	\$ 268.5

Non-Operating Revenue

Non-operating revenue consists of a one percent sales tax levied in CMTA’s service area, investment income, operating contributions and other income generated primarily from advertising sales and childcare revenue. Non-operating revenue is reduced by the costs of providing funding for infrastructure needs in the service area.

Sales tax represents the largest component of CMTA’s revenue. For FY 2018 sales tax revenue increased by \$15.1 million or 6.6%, due to a continued robust economy in the area.

Investment income of \$2.0 million for FY 2018 was earned on CMTA’s cash reserve of \$215.9 million. During FY 2018, the cash reserve was invested in the Texas Local Government Investment Pool with a portion invested in U.S. Government issues and Commercial Paper.

CMTA funds programs to fund street maintenance, street repair, and transit capital improvements, etc. through the Build Central Texas program (formerly Build Greater Austin). It also funds mobility projects to assist in future transportation and improve regional mobility.

Table A-4
Information on CMTA’s Non-Operating Revenue and Expenses
(in millions of dollars)

	FY 2018	FY 2017
Sales and use tax	\$ 243.6	\$ 228.5
Other federal grants	53.4	30.8
Other income, net	2.1	2.4
Investment income	2.0	1.4
Build Central Texas Program	(0.4)	(2.9)
Mobility interlocal agreements	(5.7)	(4.0)
Capital contributions—other jurisdictions	(0.5)	(0.01)
Total net non-operating revenue	\$ 294.5	\$ 256.2

Other Federal and State Grants

Other grant revenue was received from the Federal Transit Administration on a reimbursement basis and from the Texas Department of Transportation, primarily for new trains, improvements to the downtown station, for new buses and improvements to the rail lines. The capital funds are used primarily to fund CMTA’s capital improvement and the other federal grants are used for reimbursement of third party cost of contracting. In FY 2018, CMTA recognized other federal grant funding of approximately \$53.4 million.

Capital Assets

CMTA’s net capital assets at September 30, 2018 totaled \$406.1 million consist of buildings and improvements, railroad, buses and equipment, passenger parking stations, leasehold improvements, land and construction in progress. This amount represents an increase of 9.2% compared to FY 2017 due to increases in buses and equipment, railroad improvements, and increases in construction in progress. Gross gains were offset by an increase in accumulated depreciation. For more detailed information on capital assets, see Note 11 to the financial statements.

Table A-5
CMTA’s Capital Assets Information
(in millions of dollars)

	FY 2018	FY 2017
Building and improvements	\$ 86.1	\$ 84.7
Railroad	149.0	139.6
Buses and equipment	326.5	290.9
Passenger parking and stations	89.4	87.2
	<u>651.0</u>	<u>602.4</u>
Less accumulated depreciation	(379.3)	(349.1)
Net depreciable property/improvements	<u>271.7</u>	<u>253.3</u>
Land and improvements	59.7	59.2
Construction in progress	74.7	59.2
	<u>134.4</u>	<u>118.4</u>
Capital assets, net	\$ 406.1	\$ 371.7

**Capital Metropolitan Transportation Authority
Management’s Discussion and Analysis—(Unaudited)—September 30, 2018 and 2017**

Long-Term Debt

In February 2006, Capital Metro entered into a lease/purchase financing agreement for funding of rail vehicles in the amount of \$36.0 million with quarterly payments beginning in October 2006 for 10 years. In December 2011, Capital Metro refinanced this note with quarterly payments beginning in January 2012 for seven years. In February 2012, the Board approved a long-term financing agreement in the amount of \$20 million for bus purchases with annual principal payments beginning in April 2013 and semi-annual interest payments beginning in October 2012 for 10 years.

During September 2018, Capital Metro paid off all debt balances.

For more detailed information on long-term debt, see Note 7 to the financial statements.

**Table A-6
CMTA’s Long-Term Debt Information
(in millions of dollars)**

	<u>FY 2018</u>	<u>FY 2017</u>
Rail lease purchase	\$ -	\$ 3.7
Note payable—buses	-	10.6
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 14.3</u>

Economic Factors and Outlook for FY 2019

Capital Metro’s adopted FY 2019 budget totaled \$335.5 million in revenue, approximately \$270.7 million in operating expenses, including \$4.6 million for Regional Mobility pass through grants. The adopted FY 2019 budget also includes \$114.5 million for capital improvements. In the FY 2019 budget, sales tax revenue was projected to increase 5.0% over the FY 2018 budgeted sales tax revenue. FY 2019 budgeted operating expenses were projected to increase 3.2% from the FY 2018 budget. Management anticipates that its existing resources will be adequate to satisfy its liquidity requirements for FY 2019.

Request for Information

This financial report is designed to provide our patrons and other interested parties with a general overview of the finances to demonstrate CMTA’s accountability for the funds it receives. If you have questions about this report or need additional financial information, contact Capital Metropolitan Transportation Authority, Finance Department, at 2910 East 5th Street, Austin, Texas 78702, call (512) 389-7564, or e-mail lea.sandoz@capmetro.org.

Capital Metropolitan Transportation Authority
Statement of Net Position
September 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 77,980,772
Investments	11,369,855
Due from federal and other governments	13,913,143
Fuel hedge asset	1,899,641
Materials and supplies inventory, net	2,919,758
Prepaid transit expense and other	747,975
Other receivables, net	2,409,969
Sales and use taxes receivable	41,540,749

Total current assets	152,781,862
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Non-current assets:

Investments – designated for system expansion	108,524,243
Restricted for system expansion and acquisition:	
Restricted – cash and cash equivalents	8,580,102
Restricted – investments	9,415,433
Capital assets:	
Land and improvements	59,689,545
Depreciable capital assets, net of depreciation	271,732,670
Projects in process	74,723,419
Other assets	1,734,116

Total non-current assets	534,399,528
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Total assets	687,181,390
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Deferred outflow of resources – pension plan	9,416,391
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Total assets and deferred outflow of resources	\$ 696,597,781
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The accompanying notes are an integral part of the financial statements.

Capital Metropolitan Transportation Authority
Statement of Net Position
September 30, 2018
(continued)

Liabilities

Current liabilities:

Accounts payable	\$ 36,669,107
Accrued expenses	13,551,022
Benefits payable	479,478
Accrued salary and wages	513,219
Accrued sick and vacation	2,603,184
Retainage	2,875,363
Payable from restricted assets	148,792
Total current liabilities	56,840,165

Long-term liabilities:

Accrued sick and vacation	1,412,885
Total OPEB liability	3,339,100
Other rent liability	641,335
Unearned grant revenue – commuter rail cars and station	17,140,344
Pension liability	44,189,642
Total long-term liabilities	66,723,306

Total liabilities 123,563,471

Deferred inflow – OPEB	276,839
Deferred inflow – fuel hedge	2,764,415
Deferred inflow – pension plan	2,800,572
Total liabilities and deferred inflow of resources	129,405,297

Net position:

Net investment in capital assets	403,270,271
Unrestricted	163,922,213

Total net position \$ 567,192,484

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

Capital Metropolitan Transportation Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2018

Operating revenue	
Transportation fares	\$ 12,031,326
Contract revenue	8,968,191
Rail—freight	5,453,100
Transportation fares—commuter rail	2,589,108
Total operating revenue	<u>29,041,725</u>
Operating expenses	
Purchased transportation	152,361,385
Depreciation and amortization	44,010,538
Services	19,113,196
Salary and wages	23,456,017
Materials and supplies—fuel and fluid	12,139,068
Employee benefits	19,242,297
Leases and other	4,790,421
Utilities	2,768,950
Casualty and liability	1,279,723
Materials and supplies—other	3,068,461
Total operating expenses	<u>282,230,056</u>
Operating loss	<u>(253,188,331)</u>
Non-Operating revenue (expenses)	
Sales and use tax revenue	243,571,292
Other federal grants	53,422,347
Other income, net	2,147,901
Investment income	1,990,000
Build Central Texas Program	(409,978)
Mobility interlocal agreements	(5,669,095)
Capital contributions—other jurisdictions	(542,830)
Total non-operating revenue (expenses)	<u>294,509,637</u>
Increase in net position before capital contributions	41,321,306
Federal grants and other capital contributions	<u>27,441,971</u>
Change in net position	<u>68,763,277</u>
Net position at the beginning of year, restated (See Note 14)	<u>498,429,207</u>
Net position at the end of year	<u><u>\$ 567,192,484</u></u>

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

**Capital Metropolitan Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2018**

Cash flows from operating activities	
Receipts from customers	\$ 34,263,559
Payments to employees	(18,770,276)
Payments for employee taxes	(7,171,070)
Payments to purchased transportation service providers	(151,546,944)
Payments to suppliers of goods and services	(62,999,663)
Net cash used in operating activities	<u>(206,224,394)</u>
Cash flows from non-capital financing activities	
Sales and use tax	240,643,002
Cash/proceeds received from operating grants	46,257,973
Payments for Build Central Texas Program	(409,978)
Payments for mobility projects	(5,669,095)
Net cash provided by non-capital financing activities	<u>280,821,902</u>
Cash flows from capital and related financing activities	
Proceeds from capital grants	20,982,613
Purchase of capital assets	(77,076,970)
Proceeds from sale of capital assets	240,337
Payment of note payable	(10,550,000)
Payments on master lease financing agreement	(3,657,979)
Net cash used in capital and related financing activities	<u>(70,061,999)</u>
Cash flows from investing activities	
Sale of investments	91,050,014
Purchase of investments	(96,094,465)
Net investment income	1,990,000
Net cash used in investing activities	<u>(3,054,451)</u>
Net change in cash and cash equivalents	1,481,058
Cash and cash equivalents at beginning of year	<u>85,079,816</u>
Cash and cash equivalents at the end of the year	<u>\$ 86,560,874</u>
Cash and cash equivalents at the end of the year	
Restricted	\$ 8,580,102
Unrestricted	77,980,772
	<u>\$ 86,560,874</u>

Continued on next page

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

Capital Metropolitan Transportation Authority
Statement of Cash Flows
For the Year Ended September 30, 2018
(continued)

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (253,188,331)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	44,010,538
Changes in assets and liabilities	
Other receivables	1,230,322
Inventory	(2,120,178)
Fuel hedge asset	(673,647)
Other assets	1,643,074
Accounts payable	(3,153,101)
Accrued liability and expenses	1,832,006
Deferred rent	44,743
Deferred pension	1,942,731
Deferred outflows/inflows fuel hedge	2,207,449
Net cash used in operating activities	<u><u>\$ (206,224,394)</u></u>
 Supplemental cash flow information:	
Capital asset acquisition included in accounts payable	<u><u>\$ 3,150,000</u></u>

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Capital Metropolitan Transportation Authority (CMTA, Capital Metro or the Authority) is a corporate body and political subdivision of the State of Texas. Capital Metro was established by a referendum on January 19, 1985 to provide mass transportation service to the greater Austin metropolitan area. Capital Metro commenced operations on July 1, 1985.

Capital Metro is governed by an eight-member Board of Directors (Board) which has governance responsibilities over all activities related to Capital Metro. During the year ended September 30, 2009, the Legislature of the State of Texas enacted Senate Bill 1263, effective September 1, 2009, relating to the composition of the Board of Directors of certain metropolitan transit authorities. As a result of the enacted legislation, all of the members serving on the Board are appointed in accordance with Section 451.5021, Transportation Code.

Capital Metro is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. The appointed members of the Board have the authority to make decisions, possess the power to designate management, have the responsibility to significantly influence operations and maintain primary accountability for fiscal matters.

Prior to August 19, 2012 and as required by accounting principles generally accepted in the United States of America, these financial statements presented Capital Metro (the primary government) and its active component unit, StarTran, Inc. (StarTran), a corporation organized under the Nonprofit Corporation Act of the State of Texas. Although it was legally separate from Capital Metro, StarTran was reported as if it were part of Capital Metro because it was incorporated for the purpose of providing employee services to operate mass transit service on behalf of Capital Metro. Pursuant to the contract effective January 1, 1992, between Capital Metro and StarTran, Capital Metro provided all resources needed for business operations and the necessary administrative support needed for StarTran’s operations. Senate Bill 1263, passed by the Texas Legislature in 2009 required the Sunset Advisory Commission to evaluate the efficiency and effectiveness of Capital Metro’s bus operations. In August 2012, Capital Metro implemented a new business model to streamline operations and improve its business practices. Capital Metro now contracts with private companies to operate passenger service, including fixed route and paratransit services. StarTran is inactive but remains a blended component unit.

Basis of Accounting – The financial statements of Capital Metro have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. Capital Metro accounts for its operations as a proprietary (enterprise) fund. Proprietary funds are accounted for on the flow of economic resources measurement focus. An enterprise fund follows the accrual basis of accounting. With this measurement focus, all assets, liabilities and deferred inflows and outflows of resources associated with the enterprise fund operations are included in the Statement of Net Position. Under the accrual basis of accounting, revenues are recorded in the period in which they are earned, expenses are recorded when a liability is incurred, regardless of the timing of related cash flows and depreciation of capital assets is recorded.

Revenue from grants are recorded when all eligibility requirements imposed by the provider are met and qualifying expenses have been incurred for reimbursement type grants.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position – Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of these capital assets.

Unrestricted – the difference between the assets and liabilities that are not reported in net investment in capital assets, or restricted net assets.

Nature of Operating and Non-Operating Activities – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with an entity's principal ongoing operations. Capital Metro's primary activity is transit operations designed to provide high quality, customer focused, effective and efficient transportation services and systems for its' communities. Transit operations include planning bus routes, customer service, special transit services, purchased transportation services, maintaining equipment, facilities and buses and providing security, administration and management of the transit system. Capital Metro also owns and maintains a rail freight line. Operations include managing the rail freight contract and maintenance of the track and track infrastructure. In November 2004, citizens of the Capital Metro service area voted in favor of allowing the agency to operate urban commuter rail service from Leander, Texas to downtown Austin, Texas. Commuter rail service became operational in March of 2010.

Non-operating revenue and expenses include:

- 1) Non-operating revenue consists of the one percent sales tax levied in the Authority's service area, federal operating grants that are received on a reimbursement basis, investment income and other income generated primarily from advertising commissions and child care operations.
- 2) Mobility projects and programs to help fund future transportation projects. These projects must improve regional mobility, improve mass transit, leverage federal or private funds, add to an existing program and expedite a critical mobility project. These projects are governed by an interlocal agreement between Capital Metro and the City of Austin. Title to the capital assets belongs to the City of Austin.
- 3) Programs to fund street maintenance, emergency street repair, transit corridor improvements, pedestrian and bicycle safety/access, sidewalks, transit centers, and transit capital improvements.

It is Capital Metro's policy to use restricted resources first when an expenditure is made for purposes for which both restricted and unrestricted resources are available.

Revenue Recognition:

Operating Revenue – Transportation fares, contract revenue, rail-freight and transportation fares – commuter rail are recorded as revenue when the ticket is sold, regardless of when it is used.

Sales and Use Tax Revenue – Sales tax revenue is recorded based on information provided by the Comptroller of Public Accounts which reports when the underlying transaction occurred. Sales tax revenues account for approximately 68% of revenues in fiscal year 2018.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Other Federal Grants – Other federal grant revenue is recognized when the allowable cost is incurred and all eligibility requirements have been met.

Capital Replacement and Improvement Grants – Capital Metro funds its capital improvements with sales taxes and grants from the Federal Transit Administration (FTA). Grant revenue is recognized when all eligibility requirements have been met. The grantor retains a reversionary interest in the capital asset over the estimated useful life of that asset.

Federal and other capital contributions – Revenue from federal and other capital contributions are cash and noncash which include capital grants and contributions that are restricted revenue whose resources may only be used to purchase, build or use capital assets for specified programs.

Restricted Assets – Certain assets of Capital Metro are classified as restricted in the Statement of Net Position because their use is limited by contract for system expansion and acquisition or construction of long-term assets.

Cash and Investments – For purposes of the Statement of Cash Flows, Cash and Cash Equivalents include cash on hand, cash in banks, and investments with original maturities of less than 90 days. All non-negotiable certificates of deposits and fixed-rate time deposits are recorded at amortized cost. Investments and debt securities are recorded at fair value (See Note 2). Fair value is the price that would be received to sell an asset in an orderly transaction between market participants.

In November 2013, the Board of Directors of Capital Metro reviewed and adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act (Chapter 2256, Texas Government Code). Capital Metro is authorized to invest in obligations and instruments as defined in the Act. All investments held by Capital Metro are made in accordance with Capital Metro’s Investment Policy.

Accounts Receivable – The allowance for uncollectible accounts is established as losses are estimated to have occurred through a provision for bad debt charged to earnings. Losses are charged against the allowance using specific identification method when management believes it is probable the receivable will be recovered. As of September 30, 2018 management determined accounts receivable to be fully collectible.

Inventory – Materials and supplies inventory consists of fuel, and facilities and building maintenance supplies and is stated at cost (weighted-average method).

Capital Assets – Capital assets include all items purchased that have a useful life of more than one year, are of a tangible nature and have a cost of \$5,000 or more. Capital assets are recorded at cost and are depreciated over their useful lives using the straight-line method as follows:

	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Passenger parking stations	5-20 years
Railroad/leasehold improvements	10 years
Buses and equipment	2-12 years
Other equipment and software	3-5 years
Office furniture and fixtures	5 years

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

There are no intangible assets. Depreciation is presented as an operating expense in the Statements of Revenue, Expenses and Changes in Net Position. Construction in progress will be depreciated when the related asset is placed in service.

Expenditures for renewals and betterments that increase property lives are capitalized, and maintenance and repair costs are charged to operations as incurred.

Compensated Leave – Substantially all employees of Capital Metro are eligible to receive compensation for vacations, holidays, illness and certain other qualifying leave. For certain kinds of leave, the number of days compensated is generally based on length of service. Vacation leave, which has been earned and vested but not paid, has been accrued in the accompanying financial statements. Sick leave for Capital Metro administrative employees, which has been earned and vested but not paid, has been accrued in the accompanying financial statements at a maximum of 240 hours for those employees with four (4) years or more of service as of September 30, in the amount of \$1.3 million.

As part of the August 2012 outsourcing to private companies to operate all passenger service, Capital Metro remains responsible for sick leave for the former StarTran employees of approximately \$0.3 million, which is included in accrued sick and vacation, as of September 30, 2018.

Pensions – The net pension liability, deferred outflows and inflows of resources related to pensions, pension expense, and information about the fiduciary net position of Capital Metro’s participation in the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees and Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc., both single employer Plans (the Plans), and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized in the net pension liability calculation when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits – The Authority implemented GASB Statement No.75, Accounting Financial Reporting for Postemployment Benefits other than Pensions (OPEB). The total OPEB liability has been determined based on the flow of economic resources measurement focus and full accrual basis of accounting. This includes measuring the total OPEB liability: deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about benefit payments are recognized in the total liability calculation when due and payable in accordance with the benefit terms.

Deferred Outflows and Inflows of Resources – The Authority has classified as deferred outflows of resources certain items that represent a consumption of resources or deferred inflow of resources which represent an acquisition of net assets by Capital Metro that is applicable to a future reporting period and, therefore, will not be recognized as a revenue or expense until then. Capital Metro has deferred outflows which consist of deferred charge for pension for contributions made subsequent to the measurement date of December 31, 2017, the differences between the expected and actual experience, change in assumptions and net differences between projected and actual earnings. In addition, the deferred inflows includes similar pension related line items, other postemployment benefit changes in assumptions and deferred inflows for the accumulation of gains and losses on fuel hedge.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Risk Management – Capital Metro is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. During fiscal years 2018, Capital Metro was covered under a variety of insurance policies at a cost it considers to be economically justifiable.

Capital Metro has commercial insurance for all other risks of loss, except workers' compensation and employee health and dental benefits, including employee life and accidental insurance. Claims have not exceeded insurance coverage in each of the past three years.

Capital Metro is self-insured up to \$350,000 per occurrence for losses related to workers' compensation. (See Note 13) Capital Metro has purchased excess coverage through a commercial insurer licensed in the State of Texas.

Use of 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implemented GASB Pronouncements

Restatement of Beginning Net Position – For the fiscal year ending September 30, 2018, the Authority adopted GASB Statement No. 75, Accounting and Reporting for Postemployment Benefits other than Pensions (OPEB). This statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and issues new standards for defined benefit OPEB and defined contribution OPEB provided to employees of state and local governments through OPEB plans. Retroactive restatement is required, if practical, for all prior periods presented in the financial statements. The Authority has restated its net position as of September 30, 2018. See Note 14 for a more detailed explanation of the impact of GASB Statement No. 75 on the financial statements.

Upcoming GASB Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement is effective for the Authority beginning with its year ending September 30, 2020.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In June 2017, GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to improve accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for the Authority beginning with its year ending September 30, 2021.

Management has not yet determined the impact, if any, these pronouncements will have on the financial statements.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS

Cash and Cash Equivalent Deposits – At September 30, 2018, deposits with financial institutions were fully insured, or collateralized by securities held by a third party agent in Capital Metro’s name.

	Carrying Amount
TexasDAILY (investment pool)	\$ 88,276,363
LESS:	
Outstanding reconciling items	(1,715,489)
Total cash and cash equivalents	<u>\$ 86,560,874</u>
Restricted cash for system expansion and acquisition	\$ 8,580,102
Unrestricted cash	77,980,772
Total cash and cash equivalents	<u>\$ 86,560,874</u>

Investments – Chapter 2256 of the Texas Government Code, (the Public Funds Investment Act) authorizes Capital Metro to invest its funds under a written investment policy that ensures the safety of principal, provides liquidity and optimizes return on investments with the constraints of safety and liquidity. Capital Metro deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the Board of Directors. The Investment Policy includes a list of authorized investments, a maximum allowable stated maturity of individual investments and the maximum average dollar weighted maturity allowed for pooled funds. It includes an Investment Strategy Statement that addresses matching anticipated cash flows with adequate investment liquidity, and a portfolio structure which will experience minimal volatility during economic cycles.

Capital Metro is authorized to invest in the following securities:

1. Obligations of the United States or its agencies and instrumentalities.
2. Direct Obligations of the State of Texas.
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or is agencies and instrumentalities.

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

4. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm rating of not less than A or its equivalent.
5. Bankers' Acceptances with a stated maturity of 270 days or less from the date of issuance that will be, in accordance with its terms, liquidated in full at maturity; is eligible for collateral for borrowing from a Federal Reserve Bank; and is accepted by a bank organized and existing under the laws of the United States or any state, if the short-term obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.
6. Commercial paper with a stated maturity of 270 days or less from the date of issuance that either is rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof.
7. Fully collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy.
8. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
9. SEC-regulated, no load money market mutual funds.
10. Local government investment pools.

Capital Metro participated in one Local Government Investment Pool.

TexasTERM/TexasDAILY – TexasDAILY is a Texas Local Government Investment Pool established by the TexasTERM Local Government Investment Pool (TexasTERM) advisory board pursuant to provisions of the TexasTERM Common Investment Contract that established the TexasTERM Local Government Investment Pool and the series known as TEXASDaily. TEXASDaily was organized in conformity with the Interlocal Cooperation Act, Chapter 2256, Texas Local Government Code. The Advisory Board of TexasTERM, composed of participant and non-participant members, has oversight responsibility and reviews the investment policy and management fee structure. It is rated AAAM by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's.

TexasDAILY meets the requirements of GASB Statement No. 79 and as such measures and reports its investments at amortized cost. As such, the Authority carries its investment in TexasDAILY at NAV based on amortized cost as provided by GASB Statement No. 72. TexasDAILY's bylaws permit the Advisory Board to suspend the right of withdrawal or to postpone the date of payment in the event that the Federal Reserve Bank in Dallas is closed other than for customary weekend and holiday closings or if, in the opinion of the Advisory Board, an emergency exists so the the disposal of TexasDAILY's securities or determination of its net asset value is not reasonably practical. For the year ended September 30, the Authority's investment in TexasDAILY was \$74,776,363.

TexasTERM is a fixed-rate, fixed-term portfolio, rated AAAf by Standard & Poor's. Texas Term are short term investments in nonparticipating interest earning investment contracts which are stated NAV based on amortized cost. Capital Metro's investment in TexasTERM was \$13,500,000 for 2018.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

US Bank – the Authority has assets held by US Bank. These include US Treasury Notes, Federal Agency Notes, and commercial paper. As of September 30, 2018, Capital Metro’s investment was \$65,934,835 in US Treasury Notes, \$32,011,446 in Federal Agency Notes, and \$31,126,339 in commercial paper.

The Authority did not participate in any reverse repurchase agreements or security lending agreements during fiscal year 2018.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that, in the event of a bank failure, the System’s deposits might not be recovered. Capital Metro requires all banks, savings banks and credit union deposits to be federally insured or collateralized with eligible securities. The Authority's deposits are all FDIC insured and are adequately collateralized.

Custodial Credit Risk Investments – Custodial credit risk for investment is the risk that, in the event of failure by the counterparty to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in possession by an outside party. All of Capital Metro’s investments are insured, registered or held in the Authority’s name by the Authority’s agent; therefore, the Authority is not exposed to custodial credit risk.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Authority’s investment pools or investment securities are denominated in local currency and do not hold foreign investments. The foreign currency risk does not apply to the Authority.

Interest Rate Risk – Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of an investment. As a means of minimizing risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of Capital Metro funds. This is accomplished by purchasing quality, short- to medium-term securities that will complement each other in a ladder or barbell maturity structure. Maturity guidelines state that the dollar weighted average days to final stated maturity shall be 548 days or less. Securities may not be purchased that have a final stated maturity date which exceeds five years. The Capital Metro investment advisor monitors the maturity level and makes changes as appropriate. At September 30, 2018, Capital Metro’s exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized as follows:

	Investment Maturities				Total
	Less Than 90 Days	From 90 Days to 180 Days	From 181 Days to 365 Days	Greater Than 365 Days	
Investments					
US Bank:					
Commercial Paper	\$ 17,350,671	\$ 13,775,668	\$ -	\$ -	\$ 31,126,339
Federal Agency Notes	8,331,293	9,062,210	14,617,943	-	32,011,446
US Treasury Notes	499,470	3,787,634	7,429,968	54,217,763	65,934,835
Total Investments	<u>\$ 26,181,434</u>	<u>\$ 26,625,512</u>	<u>\$ 22,047,911</u>	<u>\$ 54,217,763</u>	<u>\$ 129,072,620</u>

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. The Authority’s investment policy seeks to control credit risk by investing in compliance with the policy, qualifying the broker and financial institution with whom the Authority will transact, sufficient collateralization, portfolio diversification, and limiting maturity. For the year ended September 30, 2018, the Authority’s exposure to credit risk by investment category as rated by Standard & Poor’s is as follows:

	<u>Carrying Value</u>	<u>Rating</u>
Cash and cash equivalents		
TexasDAILY	\$ 74,776,363	AAAm
TexasTERM	13,500,000	AAAm
Outstanding reconciling item	(1,715,489)	
	<u>\$ 86,560,874</u>	
Investments		
US Bank		
Commercial Paper	\$ 23,231,232	A-1
Commercial Paper	7,895,107	A-1+
Federal Agency Notes	32,011,446	AA+
United States Treasury Notes	65,934,835	AA+
Total Investments	<u>\$ 129,072,620</u>	

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority’s investment in a single issuer. The Authority diversifies its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on the Authority. The Authority limits its repurchase agreement exposure with a single firm to no more than 15% of the value of the Authority’s overall portfolio and its commercial paper and banker’s acceptance exposure with a single issuer to no more than 5% of the value of the Authority’s overall portfolio. Local government investment pools and U.S. Treasury Notes/Bonds/Bills are authorized at 100%. Federal Agency notes are authorized at 60%. The Authority has more than 5% of its investment in Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments are 16% and 8.4%, respectively, of the Authority’s total investments.

Fair Value – The Authority categorizes its fair value measurement disclosure in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities that Capital Metro has the ability to access.

Level 2 – Significant other observable inputs which may include quoted prices for identical or similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets; or inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs which may include situations when there is minimal, if any, market activity for the asset or liability.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

TexasDAILY invests in money market investments of high quality and low risk with the objective of capital preservation. As of September 30, 2018, Capital Metro has no unfunded commitments relating to this investment. Investments in TexasDAILY are fully redeemable on any business day; there are no lockup or gate restrictions on redemption.

The following table summarize the inputs used as of September 30, 2018 for Capital Metro’s assets and liabilities measured at fair value:

Investments	Fair Value	Level 1	Level 2	Level 3
Commercial Paper	\$ 31,126,339	\$ -	\$ 31,126,339	\$ -
Federal Agency Notes	32,011,446	-	32,011,446	-
United States Treasury Notes	65,934,835	-	65,934,835	-
Total investments	\$ 129,072,620	\$ -	\$ 129,072,620	\$ -

The Authority’s market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

3 – RECEIVABLES

Receivables at September 30, 2018, consist of the following:

Accounts receivable	\$ 2,625,416
Due from Federal and other governments	13,913,143
Sales tax	41,540,749
Allowance for doubtful accounts	(215,447)
Total receivables	\$ 57,863,861

4 – ACCRUED EXPENSES

Accrued expenses at September 30, 2018, consist of the following:

Accrued accounts payable	\$ 11,386,852
Worker's compensation self-insurance	80,000
Accrued other	2,084,169
Total accrued expenses	\$ 13,551,022

Accrued accounts payable at September 30, 2018, consists primarily of \$3.15 million for capital projects, and \$7.19 million for purchased transportation services, and \$1.1 million for other services.

5 – DESIGNATED AND RESERVE POLICY

Certain asset balances are designated through board directives for specific uses. During fiscal year 2010, Capital Metro adopted a reserves policy that includes five components – cash flow reserve, capital projects reserve, operating reserve, self-insurance reserve. The reserves are to be used at the discretion of the board to fund temporary cash flow shortages, capital, operating and self-insurance costs not in the budget, and/or emergencies or shortfalls caused by economic downturns. In February 2015, the board adopted revisions to the reserves policy to incorporate language from Section 451.134 of the Transportation Code that requires Capital Metro to establish a reserve account by September 1, 2016, in an amount that is not less than two months of actual operating expenses. This new reserve is entitled the “statutory operating reserve” and replaces the cash flow reserve. As of September 30, 2018, \$39.7 million was allocated to the statutory operating reserve, \$19.8 million for a budget stabilization reserve, and \$1.3 million to the self-insurance reserve.

6 – LEASES

Capital Metro has a non-cancellable lease commitment for certain real property that expires in October 2055 which is subject to an escalation clause.

The aggregate minimum annual lease payment under the term of the foregoing leases is as follows:

<u>Fiscal Year Ended September 30</u>	<u>Operating Leases</u>
2019	\$ 143,106
2020	143,106
2021	143,106
2022	143,106
2023	143,106
2024-2028	715,531
2029-2033	715,531
2034-2038	715,531
2039-2043	715,531
2044-2048	715,531
2049-2053	715,531
2054-2056	298,137
Total lease commitments	<u>\$ 5,306,853</u>

Rent expense was approximately \$1,809,041 for the year ended September 30, 2018.

7 – LONG-TERM LIABILITIES

In November 2004, the citizens of the Capital Metro service area voted in favor of allowing Capital Metro to operate urban commuter rail service from Leander, Texas to downtown Austin, Texas. In February 2006, the Capital Metro Board of Directors approved a tax-exempt lease/purchase financing agreement for the funding of rail vehicles. The Master Lease/Purchase Financing Agreement dated March 1, 2006, between Banc of America Leasing and Capital, LLC and Capital Metro, was executed on March 9, 2006 to purchase six rail cars from Stadler Bussnang AG, a corporation organized under the laws of Switzerland.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

7 – LONG-TERM LIABILITIES, continued

The financed amount was \$36,044,935 with an interest rate of 3.7747%, payments due quarterly on the 15th of October, January, April and July of each year beginning on October 15, 2006 for 10 years in the payment amount of \$1,100,281.

In December 2011, Capital Metro refinanced this lease in the amount of \$19,190,263 with an interest rate of 2.48%, payments due quarterly on the 15th of January, April, July, and October of each year beginning on January 15, 2012 for 7 years in the payment amount of \$745,260. During September 2018, the final payment was made for the lease/purchase financing agreement.

In February 2012, the Board approved a long-term financing/notes payable agreement with BBVA Compass Bank in the amount of \$20,000,000 for bus purchases. This is a 10-year note, an interest rate of 2.15%, callable after April 2017 (but not called as of September 30, 2017) with interest due each October 1 and April 1 beginning in October 2012 and principal payments annually on April 1 of each year beginning in April 2013. During September 2018, the final payment was made for the long-term financing agreement.

All long-term debt balances have been paid.

Changes in Long-Term Liabilities:

The changes in long-term liabilities for the year ended September 30, 2018 are as follows:

	Balance as of 9/30/17	Adjustments	Additions	Payments	Balance as of 9/30/18	Amounts Due Within One Year
Accrued vacation	\$ 2,197,630	\$ -	\$ 1,688,329	\$ (1,490,484)	\$ 2,395,474	1,624,667
Accrued sick leave	1,724,814	-	337,835	(442,054)	1,620,595	978,517
Bus purchase note payable	10,550,000	-	-	(10,550,000)	-	-
Commuter rail car and stations notes payable	3,657,978	-	-	(3,657,978)	-	-
Other rent liability	546,592	-	150,000	(55,257)	641,335	-
Other post employment benefits	978,321	2,339,465	98,027	(76,713)	3,339,100	-
Pension liability	45,739,691	-	5,561,379	(7,111,428)	44,189,642	-
Total	<u>\$ 65,395,026</u>	<u>\$ 2,339,465</u>	<u>\$ 7,835,570</u>	<u>\$ (23,383,914)</u>	<u>\$ 52,186,146</u>	<u>\$ 2,603,184</u>

8 – COMMITMENTS

The Authority has a capital spending plan for projects for upcoming and future years. The Authority’s 2018 capital budget has appropriations of approximately \$151.5 million. The Authority’s remaining contractual commitments related to its capital improvement plan are \$74.5 million as of September 30, 2018.

The Authority has executed contracts with various goods and services providers totaling approximately \$308.9 million with termination dates through September 2035. All contracts contain a termination for convenience clause in which such contracts may be terminated, in whole or in part, for the convenience of the Authority.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

8 – COMMITMENTS, continued

The Authority has entered into an interlocal agreement with the City of Austin, as amended in April 2010, to pay the City of Austin its pro rata share of 25% of the Authority’s one-cent sales tax from 2001 to 2004 in consideration for the City to carry out transportation mobility projects as approved by the Authority (ILA). The remaining balance outstanding as of September 30, 2018 was \$18.1 million and is payable when the City of Austin incurs an expenditure toward an approved mobility project. As specified in the agreement, payment is due to the City if the current year sales tax revenue exceeds the base amount as defined. Subsequent to year end, an amendment to the ILA was executed which reduced the remaining balance \$6 million and redirected the funds to pay costs associated with Project Connect.

The Authority partnered with the City of Austin and several suburban communities to develop the Build Central Texas (BCT) program. BCT is comprised of two primary segments: the Build Central Texas Program with the City of Austin and the Suburban Communities Program with the surrounding communities.

The remaining commitments for the programs as of September 30, 2018 are outlined below.

Build Central Texas	\$ 662,152
Suburban Communities	247,996
Total commitment	<u>\$ 910,148</u>

Either the Authority or the City of Austin may terminate the BCT agreement at any time, per the provisions of Section 15 of the Build Greater Austin interlocal agreement. In no way will such termination affect Capital Metro’s obligation to make payments for work completed on projects previously approved for funding. Expenses are accrued when the respective city incurs an expenditure for an approved project. Participating suburban communities have separate Interlocal agreements that require funds are used for mobility related projects.

Fuel Hedge Derivative:

The Authority developed and implemented a plan for a Fuel Risk Management Program to mitigate fuel price risk for diesel and gasoline, protect and manage budget objectives, and reduce price volatility and introduce price predictability. This may be accomplished by purchasing financial instruments known as swap and/or options and exchange-traded diesel fuel futures contracts. This program began in December 2008.

The Authority reports its derivative instruments in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosures related to derivative instruments. The Authority does not use derivative instruments for speculative purposes. The only derivative instruments entered into are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the Statements of Net Position at fair value. The fair value of option contracts for Ultra Low Diesel Fuel is determined using New York Mercantile Exchange (“NYMEX”) closing settlement prices as of the last day of the reporting period for Ultra Low Sulfur Diesel NY Harbor. The fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures purchase price at the time the positions were established.

8 – COMMITMENTS, continued

The outstanding hedging derivative instruments were evaluated for effectiveness at September 30, 2018. The hedge instruments utilize diesel fuel forwards contracts that are priced based on the underlying NY Harbor Ultra Low Sulfur Diesel contract price, while the physical gas is typically purchased at prices based on OPIS Pricing Gulf Coast Ultra Low Sulfur Diesel.

Therefore, effectiveness testing was based on the extent of correlation between the index for the hedge and the settlement price at OPIS with volumes matching the underlying expected physical transaction.

As of September 30, 2018, the Authority has a total of 115 Ultra Low Sulfur Diesel futures contracts at 42,000 gallons per contract and paid approximately \$4,300 for the execution of the trades. As of September 30, 2018, the Authority was hedged 81.9%, 5.3% and 0.0% for fiscal years 2019, 2020 and March 2021, respectively, based on projected fuel consumption.

Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred outflows or deferred inflows of resources on the statements of net position until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense.

Market values of the outstanding diesel fuel futures contracts are calculated by the counterparty based on NYMEX – NY Harbor. As of September 30, 2018, the outstanding contracts fair value is approximately \$1.4 million and related unrealized market value of \$2.7 million. The amount has been reported on the Statement of Position as a deferred inflow of resources fuel hedge. Diesel fuel futures contracts, which settled during fiscal year 2018 decreased diesel fuel cost by \$1.6 million. The amount has been included as part of current operating cost in the Statement of Revenues, Expenses, and Changes in Net Position.

Custodial Credit Risk – The Authority had deposits of \$1.9 million with its Broker as required by its Fuel Risk Management Program as of September 30, 2018 of which approximately \$1.4 million was exposed to custodial credit risk.

Basis Risk – the Authority’s outstanding hedges include basis risk, since the fuel products the government physically purchases to provide service are based on a different index for the same products used for the futures contracts – OPIS Pricing Gulf Coast Ultra Low Sulfur Diesel, vs. NYHRBR Ultra Low Sulfur Diesel.

Termination Benefits:

In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, the Authority has provided termination benefits to former StarTran employees and the related benefit has been recognized within the financial statements. As disclosed within note 1, as part of the 2012 outsourcing to private companies to operate all passenger service, the Authority also remains responsible for the Pension liability attributable to former StarTran employees of approximately \$29.0 million as of September 30, 2018. The assumptions used for the related liability is disclosed in note 10.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

9 – 401(k) PLANS

The Authority has retirement benefits under a 401(k) defined contribution plan for its full time employees which covers substantially all administrative employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments' earnings. Employees are eligible to participate after 30 days of service. In January 2005, the Authority ended the employer contribution to the plan but does allow for discretionary employer contributions. The plan allows loans to participants. Participants start to vest in the employer's contribution at the completion of one year of service with 100% vesting occurring after five years. All current participants are 100% vested in employer's contributions made prior to January 1, 2005. Participants that terminated employment prior to January 1, 2009 may be partially vested. The Authority's designated Plan Administrator administers the plan. The Authority maintains the authority to amend the plan.

Contributions from participating employees for the Authority totaled \$1,547,773 and \$52,922 in discretionary employer contributions for the year ended September 30, 2018.

10 – DEFINED BENEFIT RETIREMENT PLANS

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees

Plan Description

Effective January 1, 2005, the Authority established a pension plan, the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees, (the Plan). The Plan is a noncontributory single-employer defined benefit plan. Subject to eligibility requirements, all full-time administrative employees are eligible for participation in the Plan except for employees covered by a collective bargaining agreement and lease employees as defined by the Plan. An employee is eligible to become a participant following the first day of the month coincident with or following their date of hire. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Management of the Plan is vested in the Authority Board and advised by the Pension Plan Committee whose members are appointed by the Board.

All Plan assets are maintained under a trust agreement. Under the terms of the trust agreement, Benefit Trust (the Trustee) serves as trustee on behalf of the Plan and carries out an investment policy established by the Pension Plan Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations. The following is a description of the Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees:

The Pension Plan Committee for the Plan is the administrator of a single-employer defined benefit pension plan sponsored by Capital Metro. The following table summarizes membership of the plan at December 31, 2017.

Retirees and beneficiaries currently receiving benefits	99
Terminated plan members entitled to but not yet receiving benefits	238
Active plan members	296
	<u>633</u>

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

The most recently available financial statements of the Plan are for the years ended December 31, 2017. A copy of the Plan's annual audit may be obtained from:

Capital Metropolitan Transportation Authority
2910 East Fifth Street
Austin, Texas 78702

Plan Benefits

Participants become 100% vested upon completion of five years of service. Vesting period includes periods prior to the effective date of the Plan computed as if the Plan had been in effect. The Plan also allows for participants to recognize prior service (limited to five years) with a governmental entity or other entity related to the provision of public transportation services.

Plan participants are eligible for their plan benefits after terminating employment with vested rights. Participants are eligible for normal retirement on the first day of the month following age 65. The Plan permits early retirement from ages 55 to 64 provided an employee has completed five years of vesting service. The amount of pension payable is computed in the same manner as the normal retirement, except that it is reduced by a reduction factor, which is graduated to reflect the number of years by which early retirement precedes age 65. Retirement benefits are paid to unmarried participants in the form of a single life annuity and to married participants in the form of a joint and 50% survivor annuity but may elect other payment options with spousal consent. Lump-sum benefits are only available if the actuarial value of the benefit is less than \$5,000.

Participants are entitled to annual pension benefit at normal retirement (age 65) equal to: (i) 1.5% of average earnings, as defined, plus (ii) 0.5% of earnings in excess of covered compensation as defined, multiplied by (iii) the number of years of credited services, as defined by the Plan.

If an active employee dies before reaching the age of 65, the surviving spouse or a designated beneficiary shall receive for his or her lifetime a deferred monthly benefit equals to the amount that the participant would have received based on service to the participant's date of death had the participant elected a 50% joint and survivor option and died the next day. A participant may elect not to be covered by the deferred joint and survivor annuity option or may no longer be married when pension payments are to begin. In such instances, a single life annuity will be received.

Disability payment may be elected at age 55 up to the normal retirement age, at which time disabled participant will receive the normal retirement benefit computed as though they had been employed to age 55 or up to normal retirement age with their annual compensation, as defined, remaining the same as at the time they became disabled.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Contributions

Contribution requirements of the active plan members are established and may be amended by Capital Metro’s Board. Currently, plan members are not required to contribute. Capital Metro is making discretionary contributions based on the advice of the Actuary and consistent with funding policy for the Plan.

Net Pension Liability

Capital Metro’s net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of observed past actuarial experience, best estimate of future expectations as well as estimates inherent in related market data. The Plan has not had an actuarial experience study conducted.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Salary increases	3.5%
Investment rate of return	6.75%
Discount rate	5.48%
20-year municipal bond note	3.04%
Retirement age	Age 60-61 is 5%, Age 62-64 is 10%, Age 65 is 50%; Age 66-69 is 15% and age 70 is 100%

Mortality rates were based on the following:

Service retirees, beneficiaries and nondepositing members – Mortality rates for non-disabled lives were based on SOA RP-2014 Total Dataset Morality projected with Scale MP-2017

Rates of Turnover

Age 25-40 is 6% to 17%

Age 40-45 is 5% to 17%

Age 50+ is 4% to 17%

All based on length of service of less than one year up to more than five years.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Long-Term Rate of Return on Assets

The long-term expected rate of return on pension plan investments was determined using a best-estimate range of expected future real rates of return for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2017 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities:	49.9%	
U.S. broad equity		6.87%
Large cap		6.75%
Small/mid cap		7.00%
Domestic fixed income	20.9%	3.02%
International equities:	19.1%	
Global ex-U.S. equity		7.01%
International equity		6.74%
Emerging markets equity		7.01%
Non US Fixed		1.40%
Alternative:	2.7%	
High yield		4.77%
Volatility hedge		5.04%
Private equity		7.34%
Inflation		2.26%
Real estate	2.8%	5.73%
Cash equivalents	4.6%	2.27%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 was 5.48%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until 2056. Therefore, the long-term expected rate of return of 6.75% was applied to all periods of projected benefits payment to determine the total pension liability until 2056. Subsequent to 2056, the 20-year municipal bond rate of 3.04% was utilized.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Changes in Net Pension Liability (Asset)

The following presents the changes in total fiduciary net position and liabilities and plan fiduciary net position at September 30, 2018 (measurement date of December 31, 2017):

Total pension liability:	
Service cost	\$ 2,964,773
Interest on total pension liability	2,235,084
Change in benefit terms	-
Difference between expected and actual experience	(288,769)
Change in assumptions	3,035,050
Benefit payments/refunds of contributions	(916,317)
	<hr/>
Net change in total pension liability	7,029,821
	<hr/>
Total pension liability at beginning of year	38,127,802
	<hr/>
Total pension liability at end of year (a)	45,157,623
	<hr/>
Fiduciary net position:	
Employer contributions	3,106,829
Member contributions	-
Investment income net of investment expense	4,081,936
Benefit payments/refunds of contributions	(916,317)
Administrative expenses	(74,118)
Other	-
	<hr/>
Net change in fiduciary net position	6,198,330
	<hr/>
Fiduciary net position at beginning of year	23,811,865
	<hr/>
Fiduciary net position at end of year (b)	30,010,195
	<hr/>
Net pension liability at end of year = (a) - (b)	<u><u>\$ 15,147,428</u></u>

Sensitivity Analysis

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 5.48%, as well as what Capital Metro's net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (4.48%) or 1-percentage point higher (6.48%) than the current rate as of September 30, 2018 (measurement date of December 31, 2017):

	1% Decrease 4.48%	Current Discount Rate 5.48%	1% Increase 6.48%
	<hr/>	<hr/>	<hr/>
Net pension liability	\$ 22,379,800	\$ 15,147,428	\$ 9,227,770

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Pension Expense

For the fiscal year ended year ended September 30, 2018 (measurement date of December 31, 2017), Capital Metro recognized the following pension-related expense:

<u>Pension Expense/(Income)</u>	
Service cost	\$ 2,964,773
Interest on total pension liability	2,235,084
Changes of benefit terms	-
Administrative expenses	(74,118)
Expected investment return net of investment expenses	(1,674,487)
Recognition of deferred outflows (inflows)	
Experience	340,903
Change in assumptions	1,142,672
Investment gains or losses	(194,183)
Pension expense	<u>\$ 4,740,644</u>

Deferred Inflows and Outflows of Resources

As of September 30, 2018 (measurement date of December 31, 2017), the deferred inflows and outflows of resources are as follows:

<u>Deferred Outflows of Resources</u>	
Differences between expected and actual experience	\$ 600,061
Changes of assumptions	4,013,042
Contributions made subsequent to measurement date	<u>1,803,291</u>
	<u>\$ 6,416,394</u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$ (384,787)
Changes of assumptions	(428,051)
Net difference between projected and actual earnings	<u>(1,466,524)</u>
	<u>\$ (2,279,362)</u>

Capital Metro reported \$1,803,291 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2018 through September 30, 2018. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as pension expense. The amortization period for these deferrals is over a period of 5 years for investment (gains)/losses and the differences which result from expected and actual experience and change in assumptions will be recognized over the average service life as of the end of each measurement period, which was 5.98 years as of December 31, 2017.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

The remaining balance to be recognized in future years will be impacted by additional future deferred inflows and outflows of resources.

Year ended September 30,	
2019	\$ 1,289,392
2020	651,519
2021	(61,709)
2022	(3,021)
2023	457,560
	<u>\$ 2,333,741</u>

Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc.

Plan Description

The Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. (the Plan) was closed and for GASB 68 reporting, is a “special funding situation.” Special funding situations are defined as circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either (1) the amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events unrelated to pensions or (2) the non-employer is the only entity with a legal obligation to make contributions directly to a pension plan. The Authority is the only legal entity obligated to contribute to the Plan. The benefits were frozen for all participants as of August 18, 2012 and there are no longer any employee contributions. All future valuations will have an employer cost only.

All Plan assets are maintained under a trust agreement. Under the terms of the trust agreement, Graystone Consulting (the Trustee) serves as trustee on behalf of the Plan and carries out an investment policy established by the Retirement Plan Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations. The following is a description of the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran Inc.:

The Retirement Plan Committee for the Plan is the administrator of a single-employer defined benefit pension plan sponsored by Capital Metro. Eligible participants are covered by the Plan. The following table summarizes membership of the plan at December 31, 2017:

Retirees and beneficiaries currently receiving benefits	488
Terminated plan members entitled to but not yet receiving benefits	325
Active plan members	195
	<u>1,008</u>

The most recently available financial statements of the Plan are for the year ended December 31, 2017. A copy of the Plan’s annual audit may be obtained from:

Capital Metropolitan Transportation Authority
 2910 East Fifth Street
 Austin, Texas 78702

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Plan Benefits

The Plan provides retirement, death and disability benefits. All participants participating as of August 18, 2012 are considered 100% vested. Participants may retire with unreduced accrued benefits at age 65, or when benefit accrual service equals or exceeds 22.5 years of Benefit Accrual Service. The monthly benefit at retirement is payable in a ten year certain and life thereafter form of annuity. Participants are eligible for early retirement at the age of 55 with 5 years of service, such participants shall be entitled to a normal pension accrued reduced in accordance with plan provisions.

Retirement benefit payments are determined by application of a benefit formula based on the participant's years of pension credited service. Effective July 1, 2000, the monthly retirement benefit for each year of benefit accrual service is \$60.00 per month per year of Benefit Accrual Service for years earned.

Participants with disability benefits have no age requirement must have 15 years of employment and the benefit is equal to the actuarial greater of 1) two times the participant derived benefit, or 2) the accrued benefit. The pre-retirement death benefit is equal to the present value of accrued vested benefit.

There are no automatic or guaranteed post-retirement cost-of-living adjustments, but ad hoc retiree benefits increases may be created via plan amendments. Amendments to the plan are made only with the authority of the Retirement Plan Committee.

The following plan changes, adopted as a result of the plan freeze on August 18, 2012 are reflected in the latest valuation dated December 31, 2017.

- Participants are eligible for immediate distributions.
- Service requirements for Unreduced Early Retirement Age (UERA) was changed from 25 years to 22.5 years and participants receive credit toward UERA while working for the new contractor.
- Lump sums are capped unless a participant is eligible for UERA.
- Effective May 11, 2015, the Plan was amended to allow 15 former IUE participants to earn credit toward unreduced retirement eligibility while working for the new contractor.

Contributions

There are no participant contributions after August 18, 2012. However, make up contributions are permissible under the Plan. Interest on participant contributions is credited annually based on the 120% of the Federal Mid-term rate in effect each January 1.

The Authority makes contributions, which are actuarially determined as of each valuation date and compliant with the terms of applicable labor contracts. The actuarially determined annual contributions consist of a normal cost contribution and an amortization of the unfunded actuarial accrued liability contribution.

The 2018 plan years' employer contribution funded the normal cost and amortized the existing unfunded actuarial accrued liability on a "closed" 30-year level percent of amortization with 21 years remaining and with a 3% annual increase of the unfunded actuarial accrued liability.

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Net Pension Liability

The Plan’s net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2017 is based on the results of an actuarial experience study conducted in 2017 and approved by the Board of Trustees on March 23, 2018.

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Early age entry
Salary increases	NA
Investment rate of return	7.25% at December 31, 2017, net of pension plan investment expenses
Discount note	7.25%
Retirement age and withdrawal rates	Age 55-61 is 13% to 14% Age 62 is 15% Age 63 is 17% Age 64-70 is 30% to 100%

Mortality rates were based on the following:

- Healthy: Aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.
- Disabled: 2006 disabled base rates from RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.

Long-Term Rate of Return on Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2017 is summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
U.S. Large Cap Equity	19.20%	6.40%
U.S. Small Cap Equity	8.50%	6.90%
REITs	6.00%	6.70%
Non U.S. Develop Equity	27.70%	7.40%
Fixed Income	30.00%	3.50%
Emerging Markets Equity	8.60%	7.70%
	100.00%	

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Discount rate – The discount rate used to measure the total pension liability as of December 31, 2017 was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contribution will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included, based on these assumptions, the Pension Fund’s fiduciary net position was projected to be available to make all projected benefit payments for current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability (Asset)

The following presents the changes in total fiduciary net position and liabilities and plan fiduciary net position at September 30, 2018 (measurement date of December 31, 2017):

Total pension liability:	
Service cost	\$ -
Interest on total pension liability	4,287,202
Effect of assumption changes or inputs	(1,769,787)
Change in benefit term	3,305,720
Benefit payments/refunds of contributions	<u>(4,540,291)</u>
Net change in total pension liability	1,282,844
Total pension liability at beginning of year	<u>60,958,950</u>
Total pension liability at end of year (a)	<u>\$ 62,241,794</u>
Fiduciary net position:	
Employer contributions	\$ 4,004,599
Member contributions	4,578
Investment income net of investment expense	4,420,550
Benefit payments/refunds of contributions	(4,540,291)
Administrative expenses	<u>(225,052)</u>
Net change in fiduciary net position	3,664,384
Fiduciary net position at beginning of year	<u>29,535,196</u>
Fiduciary net position at end of year (b)	<u>33,199,580</u>
Net pension liability at end of year = (a)-(b)	<u><u>\$ 29,042,214</u></u>

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Sensitivity Analysis

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 7.25%, as well as what Capital Metro’s net pension liability would be if it were calculated using a discount rate that is 1-percentage lower (6.25%) or 1-percentage point higher (8.25%) than the current rate as of September 30, 2018 (measurement date of December 31, 2017):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net pension liability (asset)	\$ 34,832,013	\$ 29,042,214	\$ 24,098,308

Pension Expense

For the fiscal year ended September 30, 2018 (measurement date of December 31, 2017), Capital Metro recognized the following pension-related expense:

<u>Pension Expense/(Income)</u>	
Service cost	\$ -
Interest on total pension liability	4,287,202
Member contributions	(4,578)
Administrative expenses	225,052
Expected investment return net of investment expenses	(2,187,296)
Recognition of deferred inflows/outflows of resources	
Change in assumptions	3,305,720
Recognition of demographic differences—current year	(1,769,787)
Recognition of investment gains or losses—current year	(446,651)
Recognition of investment gains or losses—prior years	614,964
Pension expense	<u>\$ 4,024,626</u>

Deferred Inflows and Outflows of Resources

As of September 30, 2018 (measurement date of December 31, 2017), the deferred inflows and outflows of resources are as follows:

<u>Deferred Outflows of Resources</u>	
Contributions made subsequent to measurement date	\$ 2,999,997
	<u>\$ 2,999,997</u>
<u>Deferred Inflows of Resources</u>	
Net difference between projected and actual earnings	\$ (521,210)
	<u>\$ (521,210)</u>

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

10 – DEFINED BENEFIT RETIREMENT PLANS, continued

Capital Metro reported \$2,999,997 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2018 through September 30, 2018. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense. Investment (gains)/losses are recognized in pension expense over a period of five years.

The remaining balance to be recognized in future years will be impacted by additional future deferred inflows and outflows of resources.

Year ended September 30,	
2019	\$ 168,313
2020	106,043
2021	(348,918)
2022	(446,648)
	<u>\$ (521,210)</u>

11 – CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2018 were as follows:

	September 30, 2017	Additions	Retirements	Completed Projects	September 30, 2018
Capital assets not being depreciated					
Land and improvement	\$ 59,166,866	\$ -	\$ -	\$ 522,679	\$ 59,689,545
Projects in process	59,247,399	77,518,498	-	(62,042,478)	74,723,419
Total capital assets not being depreciated	<u>118,414,265</u>	<u>77,518,498</u>	<u>-</u>	<u>(61,519,799)</u>	<u>134,412,964</u>
Depreciable capital assets:					
Building and improvements	84,692,631	-	(58,227)	1,445,252	86,079,656
Railroad	139,643,809	-	(11,501)	9,396,689	149,028,997
Buses and equipment	290,922,992	-	(12,864,208)	48,414,458	326,473,242
Passenger parking and stations	87,162,200	-	-	2,263,400	89,425,600
Total other capital assets	<u>602,421,632</u>	<u>-</u>	<u>(12,933,936)</u>	<u>61,519,799</u>	<u>651,007,495</u>
Less accumulated depreciation:					
Building and improvements	46,826,275	2,272,882	(58,228)	-	49,040,929
Railroad	107,339,494	9,084,810	(11,501)	-	116,412,803
Buses and equipment	145,116,087	25,128,518	(12,773,495)	-	157,471,110
Passenger parking and stations	49,869,377	6,480,606	-	-	56,349,983
Total accumulated depreciation	<u>349,151,233</u>	<u>42,966,816</u>	<u>(12,843,224)</u>	<u>-</u>	<u>379,274,825</u>
Depreciable capital assets, net	<u>253,270,399</u>	<u>(42,966,816)</u>	<u>(90,712)</u>	<u>61,519,799</u>	<u>271,732,670</u>
Total capital assets	<u>\$ 371,684,664</u>	<u>\$ 34,551,682</u>	<u>\$ (90,712)</u>	<u>\$ -</u>	<u>\$ 406,145,634</u>

Depreciation expense was \$43.0 million for the year ended September 30, 2018.

Capital Metro owns certain real properties and a mass transit easement, which are used for current rail operations and held for future mass transit purposes. Such property is listed at cost.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

12 – CONTINGENCIES

Various claims have been asserted against Capital Metro from personal injuries involving Capital Metro property. Capital Metro plans to vigorously defend all allegations and no liability is reflected in the financial statements. Certain other claims have been asserted for which estimation of potential loss, if any, may be determined. Potential losses on these claims are included in the financial statements.

Capital Metro receives federal grants that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Capital Metro’s management believes such disallowances, if any, will not have a material effect on the financial statements.

13 – SELF-INSURANCE

Workers’ compensation claims are reserved and paid in accordance with the provisions of the Texas Workers’ Compensation Act. Claims that are probable and can be reasonably estimated are reported as a part of accrued expenses. The self-insurance retention levels as of September 30, 2018 for workers’ compensation are \$350,000 per occurrence. At September 30, 2018, there are no claims exceeding Capital Metro’s retention limits. The following represents the workers’ compensation claims activity and the end of year liability, which includes claims incurred and reported, as well as estimated claims incurred but not reported for the year ended September 30, 2018:

Workers’ Compensation Claims

Beginning of year liability	\$ 146,000
Current year claims and/or changes in estimates	(54,584)
Claim payments	(11,416)
End of year current year liability	<u>\$ 80,000</u>

Capital Metro has been self-insured for health and dental since January 1, 2003. United Health Care, Inc. administers the plan for Capital Metro employees. The following represents the current-year claims and claim payments for the year ended September 30, 2018:

Health and Dental Self-Insurance

Beginning of year liability	\$ 219,095
Current year claims and/or changes in estimates	3,348,437
Claim payments	(3,364,087)
End of year current year liability	<u>\$ 203,445</u>

Due to the types of risk associated with being self-insured, the ultimate amount to be paid out may be more or less than the amounts accrued within accrued expenses at September 30, 2018.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

As a result of the adoption of GASB Statement No. 75, the beginning net position of the Authority was restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB obligation recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. This change requires retrospective application to prior periods resulting in the restatement of beginning net position. The effect on the beginning net position is as follows:

Net position September 30, 2017, as previously reported	\$ 500,768,669
Removal of GASB 45	978,320
Implementation of GASB 75	(3,317,782)
Net position September 30, 2017, as restated	<u>\$ 498,429,207</u>

Plan description: Capital Metro’s defined benefit OPEB plan, a single-employer, health care plan provides OPEB for eligible employees of the Authority. The plan is administered by Capital Metro and Capital Metro has the authority to establish or amend the plan provisions or contribution requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Retirees must elect within six months of becoming Medicare eligible. The plan does not issue a stand-alone financial report.

Benefits

Capital Metro provides a Medicare supplement insurance stipend to all eligible retired administrative employees of Capital Metro to supplement retiree health care. Employee benefits are set at a fixed amount (varies from \$1,450 up to \$2,900) per year and employees are eligible based on the following:

- Age 62-64 with at least 10 years of service at retirement
- Age 62-64 that meet the Rule of 80 at retirement
- Age 65 with 10 or more years of service at retirement

Spouses are not eligible for postemployment benefits. The Authority has eliminated benefits for all bargaining employees.

Contributions: The contribution requirements of plan members and the Authority are approved and may be amended by the Board of Directors. The Authority funds all obligations arising under this plan on a pay-as-you-go basis.

The following is the participant summary as of September 30, 2018 (the most recent actuarial valuation date):

Participants:	
Actives—fully eligible	9
Actives—not eligible	299
Retires	25
Total	<u><u>333</u></u>

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Total OPEB Liability

The Authority’s total OPEB liability of \$3,339,100 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial methods and assumptions:

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0% per annum
Salary increases	3.5% per annum
Discount rate	3.63% per annum (BOY) 4.24% per annum (EOY)
Health care cost trend rates	Benefit will remain constant in the future.
Actuarial cost method	Entry Age Normal based on level percentage of projected salary.
Mortality rates	RP-2014 generational table scaled using MP-17 and applied on a gender-specific basis.
Amortization method	<i>Experience/Assumptions</i> gains and losses are amortized over a closed period of 14.5 years starting on October 1, 2017, equal to the average remaining service of active and inactive plan members (who have no future service).
Plan participation percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 100% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

The discount rate was based on *Bond Buyer 20-Bond GO index*.

Capital metro did not perform an actuarial experience study for the actuarial assumptions used in the September 30, 2018 valuation.

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of October 1, 2017	\$ 3,317,786
Changes for the year:	
Service cost	245,871
Interest	149,467
Changes in assumptions or other inputs	(297,311)
Contributions and payments made	(76,713)
Net changes	<u>21,314</u>
Balance as of September 30, 2018	<u>\$ 3,339,100</u>

The changes in assumptions or other inputs is related to the change in discount rate used. The total OPEB liability as of October 1, 2017 assumes a discount rate of 3.63%. The change in discount rate represents a \$297,311 decrease in the liability.

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority’s approximate total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 3.24%	Discount Rate 4.24%	1% Increase 5.24%
Total OPEB liability	\$ 3,846,000	\$ 3,339,000	\$ 2,921,000

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Cost Trend Current	1% Increase
Total OPEB liability	\$ 3,339,000	\$ 3,339,000	\$ 3,339,000

Capital Metropolitan Transportation Authority
Notes to the Financial Statements—September 30, 2018

14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended September 30, 2018, the Authority recognized OPEB expense of \$374,865. At September 30, 2018, the Authority reported deferred inflows of resources related to OPEB from the following source:

Deferred Inflows of Resources

Changes of assumptions or other inputs	\$ (276,839)
	<u>\$ (276,839)</u>

Amounts reported as the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense over the average future service to retirement of plan participants as follows:

Years ending September 30:	
2019	\$ (20,472)
2020	(20,472)
2021	(20,472)
2022	(20,472)
2023	(20,472)
Thereafter	(174,479)
	<u>\$ (276,839)</u>



2018 Comprehensive Annual Financial Report
Required Supplementary Information

Capital Metropolitan Transportation Authority
Required Supplementary Information

Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc.
Schedules of Changes in Net Pension Liability and Related Ratios
Years Ended September 30, 2018, 2017, 2016 and 2015

	2018	2017	2016	2015
Total pension liability:				
Service cost	\$ -	\$ 303,363	\$ 486,248	\$ 391,902
Interest on total pension liability	4,287,202	4,206,646	4,226,699	4,221,102
Effect of assumption changes or inputs	(1,769,787)	1,878,042	(730,963)	-
Change in benefit term	3,305,720	934,709	-	302,377
Benefits payment/refunds of contributions	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Net change in total pension liability	1,282,844	3,100,967	(977,982)	193,822
Total pension liability at beginning of year	60,958,950	57,857,983	58,835,965	58,642,143
Total pension liability at end of year (a)	<u>\$ 62,241,794</u>	<u>\$ 60,958,950</u>	<u>\$ 57,857,983</u>	<u>\$ 58,835,965</u>
Employer contributions	\$ 4,004,599	\$ 4,005,413	\$ 4,010,205	\$ 3,915,395
Member contributions	4,578	5,417	5,760	6,322
Investment income net of investment expense	4,420,550	1,621,196	(98,010)	1,813,047
Benefit payments/refunds of contributions	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Administrative expenses	(225,052)	(216,313)	(225,290)	(259,705)
Net change in fiduciary net position	3,664,384	1,193,920	(1,267,301)	753,500
Fiduciary net position at beginning of year	29,535,196	28,341,276	29,608,577	28,855,077
Fiduciary net position at end of year (b)	33,199,580	29,535,196	28,341,276	29,608,577
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 29,042,214</u>	<u>\$ 31,423,754</u>	<u>\$ 29,516,707</u>	<u>\$ 29,227,388</u>
Fiduciary net position as a % of total pension liability	53.34%	48.45%	48.98%	50.32%
Pensionable covered payroll*	\$ 9,672,912	\$ 9,807,345	\$ 10,882,123	\$ 12,270,378
Net pension liability as a % of covered payroll	300.24%	320.41%	271.24%	238.19%

Notes to Schedule:

Method changes: There have been no method changes in the accounting valuation since the prior year.

Assumption Changes: The financial accounting valuation reflects the following assumption changes:

- The discount rate decreased from 7.30% to 7.25% to reflect consistency with funding discount rates.
- The expected return on assets decreased from 7.05% to 7.25% to reflect target asset allocation as reflected in the Investment Policy Statement and capital markets long-term return expectations.
- The mortality assumption for healthy lives changed from RP-2000 Blue Collar Mortality Table, projected with Scale AA to 2010, to the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.
- The retirement and withdrawal rates were updated as a result of the experience study conducted in 2017 and approved by the board of trustees on March 23, 2018.

* Capital Metropolitan Transportation Plan for Bargaining Unit Employees of StarTran, Inc. was frozen to all participants in 2012 and the work previously performed by the StarTran participants was outsourced to a vendor (purchased transportation). As the Plan sponsor, Capital Metro is required to make the annual required contributions. Additionally, certain employees are eligible for unreduced retirement benefits while working for Capital Metro's Purchased Transportation provider. Under GASB Statement No. 68, the Plan qualifies for special funding which requires the reporting of the liability and related pensionable activity by Capital Metro. Capital Metro's purchased transportation provider incurred the reported pensionable covered payroll for eligible participants who are eligible for unreduced early retirement benefits upon completion of 22.5 years of credited benefit service credits.

See accompanying independent auditor's report.

**Capital Metropolitan Transportation Authority
Required Supplementary Information**

**Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit of StarTran, Inc.
Schedule of Plan Contributions**

Schedule of Employer Contributions

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 1,330,512	\$ 1,278,175	\$ 52,337	\$ 26,434,976	4.8%
2009	1,600,850	1,395,797	205,053	28,401,067	4.9%
2010	1,797,529	1,384,464	413,065	30,548,644	4.5%
2011	2,034,486	1,279,245	755,241	30,523,684	4.2%
2012	4,246,630	4,163,071	83,559	21,222,724	19.6%
2013	2,685,614	4,264,824	(1,579,210)	-	*
2014	2,750,231	4,006,229	(1,255,998)	-	*
2015	2,680,205	4,010,272	(1,330,067)	-	*
2016	2,476,752	4,005,412	(1,528,660)	-	*
2017	2,399,389	4,004,599	(1,605,210)	-	*
2018	2,481,007	3,999,996	(1,518,989)	-	

Methods and Used Assumptions to Determine Contribution Rates:

Valuation Date	January 1, 2018
Investment Rate of Return	7.25% including inflation, net of pension plan investment expenses
Actuarial Cost Method	Entry age normal cost method
Discount Rate	7.25%
Projected Salary Increases	N/A
Administrative Expenses	\$200,000 per annum
Decrement Timing	Middle of year decrements
Withdrawal Rates	Varies by age with age 55 at 13% withdrawal rate and up to age 70 with a 100% withdrawal rate.
Surviving Spouse Benefit	Assumed 80% have an eligible spouse and that males are 3yrs older than their spouse.
Retirement age	Varies by age with 13% retirement at age 55 and with 100% of retirement at age 70.
Mortality	
Healthy	Aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017
Disabled	2006 disabled base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.

* Capital Metropolitan Transportation Plan for Bargaining Unit Employees of StarTran, Inc. was frozen to all participants in 2012 and the work previously performed by the StarTran participants was outsourced to a vendor (purchased transportation). As the Plan sponsor, Capital Metro is required to make the annual required contributions. Additionally, certain employees are eligible for unreduced retirement benefits while working for Capital Metro's Purchased Transportation provider. Under GASB Statement No. 68, the Plan qualifies for special funding which requires the reporting of the liability and related pensionable activity by Capital Metro. Capital Metro's purchased transportation provider incurred the reported pensionable covered payroll for eligible participants who are eligible for unreduced early retirement benefits upon completion of 22.5 years of credited benefit service credits.

See accompanying independent auditor's report.

Capital Metropolitan Transportation Authority
Required Supplementary Information

Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Schedules of Changes in Net Pension Liability and Related Ratios
Years Ended September 30, 2018, 2017, 2016 and 2015

	2018	2017	2016	2015
Total pension liability:				
Service cost	\$ 2,964,773	\$ 2,087,251	\$ 2,225,673	\$ 1,453,304
Interest on total pension liability	2,235,084	1,863,897	1,573,679	1,538,740
Changes of benefit terms	-	2,054,914	-	-
Difference between expected and actual experience	(288,769)	(86,781)	1,984,816	(319,936)
Change in assumptions	3,035,050	209,630	(1,415,858)	5,067,915
Benefits payment/refunds of contributions	(916,317)	(892,937)	(833,716)	(717,439)
Net change in total pension liability	7,029,821	5,235,974	3,534,594	7,022,584
Total pension liability at beginning of year	38,127,802	32,891,828	29,357,234	22,334,650
Total pension liability at end of year (a)	<u>\$ 45,157,623</u>	<u>\$ 38,127,802</u>	<u>\$ 32,891,828</u>	<u>\$ 29,357,234</u>
Fiduciary net position:				
Employer contributions	\$ 3,106,829	\$ 1,974,973	\$ 1,882,377	\$ 1,600,160
Investment income net of investment expense	4,081,936	1,795,013	(11,187)	1,017,006
Benefit payments/refunds of contributions	(916,317)	(892,937)	(833,716)	(717,439)
Administrative expenses	(74,118)	(58,222)	(63,645)	(38,209)
Net change in fiduciary net position	6,198,330	2,818,827	973,829	1,861,518
Fiduciary net position at beginning of year	23,811,865	20,993,038	20,019,209	18,157,691
Fiduciary net position at end of year (b)	30,010,195	23,811,865	20,993,038	20,019,209
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 15,147,428</u>	<u>\$ 14,315,937</u>	<u>\$ 11,898,790</u>	<u>\$ 9,338,025</u>
Fiduciary net position as a % of total pension liability	66.46%	62.45%	63.82%	68.19%
Pensionable covered payroll	\$ 20,966,199	\$ 22,195,764	\$ 18,663,437	\$ 16,183,596
Net pension liability as a % of covered payroll	72.25%	64.50%	63.75%	57.70%

Note to Schedule:

Changes in Assumptions and Methods Since the Last Actuarial Valuation

The discount rate for year-end disclosure was 5.94%.

The assumed 20-year municipal bond rate was 3.71%.

For GASB determination, the accounting mortality table was RP-2000 static, non-generational Mortality Table as described in Regulation 1.430(h)(3) projected by Scale AA, to between 7 and 15 years beyond the year of the obligation, male and female, with combined rates for annuitants and nonannuitants.

Termination, Retirement, and Marriage Rates were updated for funding results.

Termination and Marriage Rates were updated for GASB.

The projection scale and the GASB mortality table was MP-2016.

Justification for Changes in Actuarial Assumptions

The year-end disclosure discount rate was determined consistent with the provisions of GASB Nos. 67 and 68. The mortality table was revised to a more current table.

The assumed rate of return was revised due to updated expectations.

See accompanying independent auditor's report.

**Capital Metropolitan Transportation Authority
Required Supplementary Information**

**Capital Metropolitan Transportation Authority Retirement Plan for Administrative Employees
Schedule of Plan Contributions**

Schedule of Employer Contributions

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$ 1,616,637	\$ 2,161,177	\$ (544,540)	\$ 17,437,027	12.4%
2009	1,836,212	1,380,002	456,210	18,995,763	7.3%
2010	2,029,276	2,545,542	(516,266)	17,330,101	14.7%
2011	1,453,308	1,448,542	4,766	16,565,032	8.7%
2012	1,659,488	1,704,070	(44,582)	18,347,486	9.3%
2013	1,393,056	1,393,490	(434)	15,021,918	9.3%
2014	1,588,278	1,600,160	(11,882)	16,183,596	9.9%
2015	1,894,044	1,863,116	30,928	17,038,110	10.9%
2016	1,971,655	1,971,655	-	18,791,825	10.5%
2017	2,166,745	2,166,745	-	19,911,349	10.9%
2018	3,243,014	3,243,014	-	20,757,338	15.6%

Note to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of January 1 for the respective year of contributions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll
Remaining Amortization Period	20 years
Asset Valuation Method	Deferred recognition with phase in over 5 years
Inflation Rate	-
Salary Increases	3.5%
Investment Rate of Return	6.75%
Retirement Age	Age 55 through 69 is 0% to 50% and age 70 is 100%
Mortality Rates	RP-2000 Static, non-generational Mortality Table

See accompanying independent auditor's report.

**Capital Metropolitan Transportation Authority
Required Supplementary Information**

**Capital Metropolitan Transportation Authority Other Post
Employment Benefits**

Other Post-Employment Benefits –
Schedule of Changes in the Total OPEB Liability and Related Ratios

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 245,871
Interest	149,467
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(297,311)
Benefit payments	<u>(76,713)</u>
Net change in total OPEB liability	<u>21,314</u>
Total OPEB liability—beginning	<u>3,317,786</u>
Total OPEB liability—ending	<u><u>\$ 3,339,100</u></u>
Covered-employee payroll	\$ 20,757,338

Total OPEB liability as a percentage of covered-employee payroll 16%

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	4.24%
2017	3.63%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

See accompanying independent auditor's report.



2018 Comprehensive Annual Financial Report
Statistical Section

This section of Capital Metro’s comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Capital Metro’s overall financial condition.

Financial Trends

These schedules contain trend information to help the reader understand how Capital Metro’s financial performance and well-being have changed over time. (Pages 52-53)

Revenue Capacity

These schedules contain information to help the reader assess Capital Metro’s most significant local revenue source. (Pages 54-55)

Debt Capacity

This schedule presents information to help the reader assess the affordability of Capital Metro’s current level of outstanding debt and the ability to issue additional debt in the future. (Pages 56-57)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which Capital Metro’s financial activities take place. (Pages 58-59)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in Capital Metro’s financial report relates to the services Capital Metro provides and the activities it performs. (Pages 60-68)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CONDENSED STATEMENT OF NET POSITION
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net Position										
Total assets	\$687,181,390	\$631,671,906	\$581,284,435	\$549,866,540	\$483,139,154	\$456,513,478	\$424,222,373	\$377,672,823	\$399,721,817	\$408,666,825
Deferred Outflow	9,416,391	11,040,533	14,502,678	13,394,914	-	-	-	-	-	-
Total liabilities	106,423,127	121,349,555	98,573,715	100,896,496	74,546,316	79,719,171	92,197,909	59,345,298	77,198,059	76,283,235
Unearned grant revenue	17,140,344	18,828,476	41,375,065	45,450,146	-	-	-	-	-	-
Deferred Inflow	5,841,826	1,765,739	1,288,901	261,124	-	-	-	-	-	-
Net position										
Invested in capital assets	403,270,271	356,182,839	292,329,115	282,032,104	287,038,610	286,448,356	287,763,068	288,856,610	306,643,349	318,905,571
Restricted for construction				-	-	-	-	-	-	-
Unrestricted	163,922,213	144,585,830	162,220,317	134,621,584	121,554,228	90,345,951	44,261,396	29,470,915	15,880,409	13,478,019
Total net position	<u>\$ 567,192,484</u>	<u>\$ 500,768,669</u>	<u>\$ 454,549,432</u>	<u>\$ 416,653,688</u>	<u>\$ 408,592,838</u>	<u>\$ 376,794,307</u>	<u>\$ 332,024,464</u>	<u>\$ 318,327,525</u>	<u>\$ 322,523,758</u>	<u>\$ 332,383,590</u>

Unaudited - see accompanying auditor's report

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CHANGES IN NET POSITION
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Revenue										
Transportation fares	\$ 12,031,326	\$ 13,455,755	\$ 14,124,211	\$ 13,594,470	\$ 12,104,556	\$ 11,142,027	10,967,223	9,928,579	9,001,139	7,901,357
Contract revenue and fares	8,968,191	8,151,879	7,286,377	6,834,345	7,263,506	7,425,924	7,150,215	6,820,131	5,865,965	6,539,314
Rail - freight	5,453,100	4,522,523	4,756,093	5,063,456	5,119,927	5,030,110	4,998,943	7,550,692	13,074,292	14,393,190
Commuter rail	2,589,108	2,541,925	2,656,212	3,301,561	3,778,188	3,358,278	2,265,523	954,666	293,038	-
Total operating revenue	29,041,725	28,672,082	28,822,893	28,793,832	28,266,177	26,956,339	25,381,904	25,254,068	28,234,434	28,833,861
Operating Expenses										
Labor/fringe benefits (1)	\$42,698,314	\$44,196,009	\$35,894,236	\$33,972,657	\$30,627,326	\$27,550,575	\$84,599,834	\$82,985,900	\$80,142,469	\$86,013,186
Services	19,113,196	18,619,086	19,249,051	21,697,474	25,298,173	20,701,207	19,651,851	18,015,338	28,323,402	29,287,875
Materials	14,099,827	14,564,759	16,459,622	17,141,586	18,425,437	18,250,925	23,529,099	24,340,524	20,989,934	20,593,116
Utilities	2,768,950	2,784,922	2,678,320	2,595,727	2,278,593	2,185,680	2,052,397	2,021,342	2,287,654	1,969,689
Insurance	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652	1,329,780	1,370,865	1,616,961
Taxes	1,107,702	1,056,256	1,045,710	1,088,166	983,295	983,894	949,247	990,353	977,203	992,263
Purchased transportation (1)	152,361,385	143,514,968	145,026,467	123,661,911	113,472,564	103,479,414	35,326,960	28,316,877	26,205,959	22,598,913
Other expenses	4,537,502	3,759,197	4,385,484	2,703,674	3,198,500	2,337,366	2,003,727	1,975,810	3,963,822	2,340,775
Interest expense	252,919	369,935	480,141	589,510	697,383	800,365	750,835	975,403	1,117,370	1,218,652
Depreciation	44,010,538	39,145,873	35,561,903	33,553,776	33,742,878	31,579,554	33,229,888	34,680,209	31,274,225	24,404,069
Total operating expenses	\$282,230,056	\$268,528,696	\$261,462,093	\$239,326,186	\$230,472,705	\$210,330,395	\$203,461,490	\$195,631,536	\$196,652,903	\$191,035,499
Operating Loss	(253,188,331)	(239,856,614)	(232,639,200)	(210,532,354)	(202,206,528)	(183,374,056)	(178,079,586)	(170,377,468)	(168,418,469)	(162,201,638)
Non-Operating Revenue (Expenses)										
Sales and use tax	243,571,292	228,545,196	221,298,639	210,413,738	193,818,456	179,022,794	165,248,523	151,156,042	141,867,771	139,895,675
Investment income	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616	29,971	786,969
Other income, net	2,147,901	2,407,217	2,964,311	3,183,851	2,343,535	2,282,734	805,412	1,201,994	1,722,216	1,517,051
Other federal grants	53,422,347	30,797,301	29,172,453	29,944,881	28,569,256	33,747,010	15,643,959	11,664,109	20,119,207	15,929,606
Capital Contribution - Other Jurisdictions	(542,830)	(57,160)								
Build Central Texas Program	(409,978)	(2,927,158)	(180,544)	(563,293)	(756,097)	(1,808,588)	(1,216,386)	(1,090,985)	(2,195,584)	(2,004,404)
Mobility interlocal agreements	(5,669,095)	(3,998,451)	(1,709,281)	(2,342,069)	(4,975,704)	(7,764,324)	(4,598,153)	(8,398,120)	(9,488,911)	(9,876,355)
Total non-operating revenue (expenses)	294,509,637	256,161,947	252,931,639	240,691,754	219,092,395	205,579,106	175,969,361	154,557,656	152,054,670	146,248,542
Income (loss) before contributions	41,321,306	16,305,333	20,292,439	30,159,400	16,885,867	22,205,050	(2,110,225)	(15,819,812)	(16,363,799)	(15,953,096)
Capital contributions	27,441,971	29,913,904	17,603,305	8,830,998	14,912,664	22,564,793	15,807,164	11,623,579	6,503,967	17,164,791
Change in net position	68,763,277	46,219,237	37,895,744	38,990,398	31,798,531	44,769,843	13,696,939	(4,196,233)	(9,859,832)	1,211,695

(1) Capital Metro changed its business model to one that contracted out all transit operations and collections of fares in August 2012

Unaudited - see accompanying auditor's report.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
REVENUE BY SOURCE
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue										
Operating Revenue										
Transportation fares	\$ 12,031,326	\$ 13,455,755	\$ 14,124,211	\$ 13,594,470	\$ 12,104,556	\$ 11,142,027	\$ 10,967,223	\$ 9,928,579	\$ 9,001,139	\$ 7,901,357
Contract revenue and fares	8,968,191	8,151,879	7,286,377	6,834,345	7,263,506	7,425,924	7,150,215	6,820,131	5,865,965	6,539,314
Rail freight revenue	5,453,100	4,522,523	4,756,093	5,063,456	5,119,927	5,030,110	4,998,943	7,550,692	13,074,292	14,393,190
Commuter rail revenue	2,589,108	2,541,925	2,656,212	3,301,561	3,778,188	3,358,278	2,265,523	954,666	293,038	-
Total Operating Revenue	29,041,725	28,672,082	28,822,893	28,793,832	28,266,177	26,956,339	25,381,904	25,254,068	28,234,434	28,833,861
Non-Operating Revenue										
Sales tax	\$ 243,571,292	\$ 228,545,196	\$ 221,298,639	\$ 210,413,738	\$ 193,818,456	\$ 179,022,794	\$ 165,248,523	\$ 151,156,042	\$ 141,867,771	\$ 139,895,675
Investment income	1,990,000	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616	29,971	786,969
Grant income	80,864,318	60,711,205	46,775,758	38,775,869	43,481,920	56,311,803	31,451,123	23,287,688	26,623,174	33,094,397
Other Income	2,147,901	2,407,217	2,964,311	3,183,851	2,343,535	2,282,734	805,412	1,201,994	1,722,216	1,517,051
Total Non-Operating Revenue	328,573,511	293,058,620	272,424,769	252,428,104	239,736,860	237,716,811	197,591,064	175,670,340	170,243,132	175,294,092
Total revenue	\$ 357,615,236	\$ 321,730,702	\$ 301,247,662	\$ 281,221,936	\$ 268,003,037	\$ 264,673,150	\$ 222,972,968	\$ 200,924,408	\$ 198,477,566	\$ 204,127,953

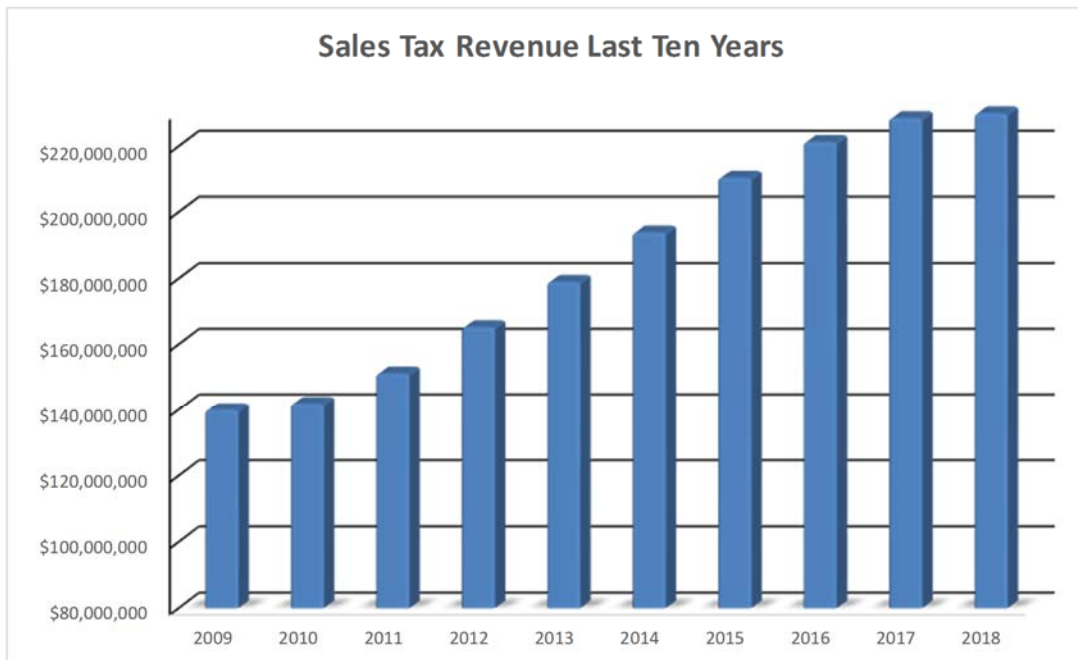
Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
SALES TAX REVENUE
LAST TEN YEARS**

Fiscal Year	Sales Tax Revenue	Compounded Percent Change From Base Year (3)	Percent Change From Prior Year
2008	\$154,156,602		
2009	\$139,895,675	-9.3%	-9.3%
2010	\$141,867,771	-8.0%	1.4%
2011	\$151,156,042	-1.9%	6.5%
2012	\$165,248,523	7.2%	9.3%
2013	\$179,022,794	16.1%	8.3%
2014	\$193,818,456	25.7%	8.3%
2015	\$210,413,739	36.5%	8.6%
2016	\$221,298,639	43.6%	5.2%
2017	\$228,545,196	48.3%	3.3%
2018	\$243,571,292	58.0%	6.6%

Notes:

- (1) Sales tax revenue accounts for **68.1** % of revenue in FY 2018
- (2) Sales tax rate 1% since 1995
- (3) Base year for 2009 through 2018 is 2008



Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
ESTIMATED SALES TAX RECEIPTS BY CITY
LAST TEN YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Austin	\$ 223,315,718	\$ 210,876,619	203,818,259	195,031,837	180,714,534	167,830,291	156,339,645	143,501,921	137,296,661	132,412,972
Leander	5,133,277	4,616,602	4,132,318	3,443,493	2,957,311	2,586,120	2,181,535	2,029,704	1,948,783	1,743,163
Manor	1,155,286	1,069,277	998,823	818,330	716,592	526,223	431,028	381,878	333,657	354,343
Lago Vista	478,798	444,480	413,984	371,054	364,704	317,522	286,891	279,397	274,804	276,207
Jonestown	160,874	124,228	115,269	101,117	102,155	91,234	102,180	108,337	108,084	106,490
Volente	162,055	76,700	62,280	46,538	46,767	62,989	45,214	41,188	36,376	30,888
Point Venture	59,006	58,503	42,811	37,414	27,500	25,538	23,851	30,068	23,964	24,850
Unincorporated Areas	13,106,278	11,278,787	11,714,897	10,563,956	8,888,893	7,582,877	5,838,179	4,783,549	1,845,442	4,946,762
Total	\$ 243,571,292	\$ 228,545,196	\$ 221,298,639	\$ 210,413,739	\$ 193,818,456	\$ 179,022,794	\$ 165,248,523	\$ 151,156,042	\$ 141,867,771	\$ 139,895,675

Source: The Comptroller of Public Accounts does not provide detailed tax receipts for MTAs by member city; therefore the numbers above are allocated based on city sales tax receipts.

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
LONG-TERM DEBT
LAST TEN YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Note payable	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,484,164	\$2,484,164
Rail lease purchase	-	3,657,979	6,504,050	9,280,618	11,989,380	14,631,995	17,210,076	19,968,234	23,531,167	26,962,723
Long-term financing	-	10,550,000	12,525,000	14,460,000	16,355,000	18,210,000	20,000,000	-	-	-
Total debt	-	\$14,207,979	\$19,029,050	\$23,740,618	\$28,344,380	\$32,841,995	\$37,210,076	\$19,968,234	\$26,015,331	\$29,446,887
Per capita income (MSA)	-	53,908	\$51,566	51,014	49,001	46,241	45,943	42,948	40,009	38,215
Total debt/per capita income	-	263.56	369.02	465.37	578.44	710.24	809.92	464.94	650.24	770.56

Note: Prior year statistics are subject to change as more precise numbers become available

(1) Per capita statistics not available

Unaudited - see accompanying auditors' report

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
DEBT - NET REVENUE COVERAGE RATIO**

	Sales Tax Revenue	Operating Revenue	Operating Grants	Operating Expenses Net of Depreciation	Net Available Revenue	Principal Debt Payment	Coverage Ratio
2018	\$ 243,571,292	\$ 29,041,725	\$ 53,422,347	\$ (238,219,519)	\$ 87,815,845	\$ 14,207,979	6.18
2017	\$ 228,545,196	\$ 28,672,082	\$ 30,797,301	\$ (229,382,823)	\$ 58,631,756	\$ 4,821,070	12.16
2016	\$ 221,298,639	\$ 28,822,893	\$ 29,172,453	\$ (225,900,189)	\$ 53,393,796	\$ 4,711,568	11.33
2015	\$ 210,413,739	\$ 28,793,832	\$ 29,944,881	\$ (205,772,410)	\$ 63,380,042	\$ 4,603,762	13.77
2014	\$ 193,818,456	\$ 28,266,177	\$ 28,569,256	\$ (196,729,827)	\$ 53,924,062	\$ 4,497,615	11.99
2013	\$ 179,022,794	\$ 26,956,339	\$ 33,797,010	\$ (178,750,841)	\$ 61,025,302	\$ 4,368,081	13.97
2012	\$ 165,248,523	\$ 25,381,904	\$ 15,643,959	\$ (170,231,602)	\$ 36,042,784	\$ 2,758,158	13.07
2011	\$ 151,156,042	\$ 25,254,068	\$ 11,664,109	\$ (160,951,327)	\$ 27,122,892	\$ 6,047,097	4.49
2010	\$ 141,867,771	\$ 28,234,434	\$ 20,119,207	\$ (165,378,678)	\$ 24,842,734	\$ 3,431,556	7.24
2009	\$ 139,895,675	\$ 28,833,861	\$ 15,929,606	\$ (166,631,430)	\$ 18,027,712	\$ 3,305,024	5.45

Capital Metro first incurred debt in 2006 with first payment due in 2007.

Unaudited - see accompanying auditor's report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Year	City of Austin Population (1)	Population MSA (2)	Personal Income (MSA) (thousands of dollars) (2)	Per Capita Personal Income (MSA) (2)	Unemployment Rate (MSA) (3)
2008	746,105	1,633,870	67,983,941	39,877	4.3
2009	770,296	1,682,338	65,636,196	38,215	6.9
2010	778,560	1,727,627	69,239,230	40,009	7.0
2011	805,662	1,781,409	76,507,673	42,948	6.6
2012	821,012	1,835,298	84,319,550	45,943	5.7
2013	841,649	1,884,439	87,138,010	46,241	5.1
2014	878,002	1,943,465	95,231,402	49,001	4.2
2015	899,119	2,000,860	102,072,207	51,014	3.4
2016	925,491	2,056,405	106,040,064	51,566	3.2
2017	946,080	2,077,789 (6)	112,009,610 (5)	53,908 (5)	2.9

Note: Prior year statistics are subject to change as more precise numbers become available.

(1) Source : City Demographer, City of Austin, Planning and Zoning Department based on full purpose area as of September 30.

(2) Source: Bureau of Economic Analysis for all years except 2017 which will not be available until first quarter 2018.

(3) Source: Claritas, a Nielsen company.

(4) Source: Bureau of Labor Statistics, United States Dept. of Labor as of September 30.

(5) Data not available for 2017. Figures are estimated.

(6) Source: Nielsen SiteReports

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS**

		Fiscal Year Ended September 30						
		2017			2008			
10 Largest Employers	Industry	Rank	Employees (1)	Percent of MSA Total (2)	Rank	Employees (1)	Percent of MSA Total (2)	
State Government	Government	1	38,353	(2) 3.73%	1	37,192	4.68%	
The University of Texas at Austin	Education	2	23,131	(4) 2.25%	2	24,527	3.08%	
City of Austin	Government	3	13,825	(5) 1.34%	4	12,236	1.54%	
Federal Government	Government	4	12,700	(6) 1.24%	6	10,200	1.28%	
HEB	Grocery retail/distribution	5	12,198	(4) 1.19%	7	6,746	0.85%	
Dell Computer Corporation	Computers	6	12,000	(4) 1.17%	3	17,000	2.14%	
Austin Independent School District	Education	7	11,447	(3) 1.11%	5	11,102	1.40%	
Seton Healthcare Network	Healthcare	8	10,270	(4) 1.00%	8	6,700	0.84%	
St. David's Healthcare Partnership	Healthcare	9	8,598	(4) 0.84%	10	6,219	0.78%	
Samsung Austin Semiconductor	Manufacturer	10	6,074	(4) 0.59%				
IBM Corporation	Computers				9	6,239	0.78%	
			<u>148,596</u>	<u>14.45%</u>		<u>138,161</u>	<u>17.37%</u>	

Notes:

- (1) Texas Workforce Commission - Total refers to a Metropolitan Statistical Area (MSA) employed work force of 1,028,100 for 2017 and 795,300 for 2008.
- (2) Texas State Auditor's Office: Regular and Part Time State Employees for 2017 in Bastrop, Caldwell, Hays, Travis and Williamson Counties.
- (3) Texas Education Agency 2016-2017 Texas Academic Performance Report for AISD Page 21.
- (4) Austin Chamber of Commerce - Top Employers for Austin MSA - Fall 2017.
- (5) FY2017-2018 Personnel Summary (FTE's) City of Austin Budget Volume I Page 646 Approved Budget (2016-17 Amended Budget Column).
- (6) Bureau of Labor Statistics Federal Government employees in Austin MSA in September 2016.

Unaudited - see accompanying auditor's report

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
EXPENSES BY OBJECT CLASS
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating Expenses										
Labor/fringe benefits	\$42,698,314	\$44,196,009	\$35,894,237	\$33,972,657	\$30,627,326	\$27,550,575	\$84,599,834	\$82,985,900	\$80,142,469	\$86,013,186
Services	19,113,196	18,619,086	19,249,051	21,697,474	25,298,173	20,701,207	19,651,851	18,015,338	28,323,402	29,287,875
Materials	14,099,827	14,564,759	16,459,622	17,141,586	18,425,437	18,250,925	23,529,099	24,340,524	20,989,934	20,593,116
Utilities	2,768,950	2,784,922	2,678,320	2,595,727	2,278,593	2,185,680	2,052,397	2,021,342	2,287,654	1,969,689
Insurance	1,279,723	517,691	681,159	2,321,705	1,748,556	2,461,415	1,367,652	1,329,780	1,370,865	1,616,961
Taxes	1,107,702	1,056,256	1,045,709	1,088,166	983,295	983,894	949,247	990,353	977,203	992,263
Purchased transportation	152,361,386	143,514,969	145,026,467	123,661,911	113,472,564	103,479,414	35,326,960	28,316,877	26,205,959	22,598,913
Other expenses	4,537,502	3,759,197	4,385,483	2,703,674	3,198,500	2,337,366	2,003,727	1,975,810	3,963,822	2,340,775
Interest expense	252,919	369,935	480,142	589,510	697,383	800,365	750,835	975,403	1,117,370	1,218,652
Depreciation	44,010,538	39,145,873	35,561,903	33,553,776	33,742,878	31,579,554	33,229,888	34,680,209	31,274,225	24,404,069
Total operating expenses	\$282,230,057	\$268,528,697	\$261,462,093	\$239,326,186	\$230,472,705	\$210,330,395	\$203,461,490	\$195,631,536	\$196,652,903	\$191,035,499

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Non-Operating Expenses										
Build Central Texas	\$409,978	\$2,927,158	\$180,544	\$563,293	\$756,097	\$1,808,588	\$1,216,386	\$1,090,985	\$2,195,584	\$2,004,404
Mobility programs	\$5,669,095	\$3,998,451	\$1,709,281	\$2,342,069	\$4,975,704	\$7,764,324	\$4,598,153	\$8,398,120	\$9,488,911	\$9,876,355
Capital contributions - other jurisdictions	\$542,830	57,160	-	-	-	-	-	-	-	-
Total non-operating expenses	\$6,621,903	\$6,982,769	\$1,889,825	\$2,905,362	\$5,731,801	\$9,572,912	\$5,814,539	\$9,489,105	\$11,684,495	\$11,880,759

Unaudited - see accompanying auditor's report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
OPERATING STATISTICS
LAST TEN YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating expenses										
Demand reponse directly operated	-	-	-	-	-	-	23,163,134	24,581,584	25,631,904	24,154,990
Demand reponse-purchased transportation	40,844,729	42,199,986	40,362,921	37,772,056	32,953,872	31,490,408	6,809,517	997,269	62,501	4,157,686
Demand reponse taxi cab	-	-	846,445	849,406	357,792	515,059	857,353	2,427,171	3,513,469	-
Express bus directly operated	-	-	-	-	-	-	8,755,409	-	-	-
Express bus-purchased transportation	7,750,079	6,379,211	5,688,832	5,019,117	7,722,055	7,724,750	1,108,609	-	-	-
Motor bus directly operated	-	-	-	-	-	-	70,627,459	80,191,085	76,179,798	84,051,692
Motor bus-purchased transportation	153,795,357	145,368,852	144,263,239	134,770,798	127,143,429	112,150,468	38,799,019	34,272,011	31,958,303	30,997,088
Commuter rail-purchased transportation	23,182,822	21,743,560	24,246,860	14,779,117	15,810,047	13,712,449	11,358,085	9,388,517	6,890,954	-
Vanpool-directly operated	-	-	-	-	365,156	2,137,476	2,220,742	1,240,439	1,214,428	1,476,802
Vanpool-purchased transportation	1,143,337	1,452,639	1,273,091	2,387,524	1,126,906	-	-	-	-	-
Total operating expenses**	226,716,324	\$217,144,248	\$216,681,388	\$195,578,018	\$185,479,257	\$167,730,610	\$163,699,327	\$153,098,076	\$145,451,357	\$144,838,258
Actual vehicle revenue miles										
Demand reponse directly operated	-	-	-	-	-	-	2,956,691	3,005,416	2,906,963	2,763,843
Demand reponse purch. trans.	5,514,405	5,395,478	5,028,095	4,942,463	4,666,043	4,487,043	1,536,889	364,638	35,589	1,561,676
Demand response taxi cab	-	-	146,782	149,625	111,189	122,604	228,402	775,874	1,135,199	-
Express bus directly operated	-	-	-	-	-	-	626,413	-	-	-
Express bus purch. Trans.	928,475	737,780	736,798	747,633	739,055	701,561	80,303	-	-	-
Motor bus directly operated	-	-	-	-	-	-	7,509,440	8,579,614	8,295,428	9,150,577
Motor bus purch. trans.	15,396,804	14,473,436	14,343,211	14,001,707	12,982,104	12,801,955	5,035,222	5,508,516	5,064,569	4,833,115
Commuter rail purch. Trans.	310,272	301,020	298,379	287,997	279,757	279,359	237,125	176,196	63,227	-
Vanpool-directly operated	-	-	-	-	338,077	1,132,983	1,135,160	1,150,070	1,254,450	1,476,002
Vanpool-purchased transportation	4,339,303	3,747,150	3,109,432	2,241,335	870,967	-	-	-	-	-
Total actual vehicle revenue miles	26,489,259	24,654,864	23,662,697	22,370,760	19,987,192	19,525,505	19,345,645	19,560,324	18,755,425	19,785,213

** Total operating expense does not include depreciation, rail freight expense, or other nonallocated expenses for NTD.

Source: NTD report for each year

Unaudited - see accompanying auditors' report

OPERATING STATISTICS LAST TEN YEARS, continued

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actual vehicle revenue hours										
Demand reponse directly operated	-	-	-	-	-	-	204,046	241,291	230,871	213,251
Demand reponse purch. trans.	385,547	396,660	382,088	367,735	333,772	314,473	104,261	30,802	2,588	84,280
Demand response taxi cab	-	-	6,725	7,043	5,598	5,187	8,780	36,343	49,848	-
Express bus directly operated	-	-	-	-	-	-	32,761	-	-	-
Express bus purch. Trans.	47,486	40,364	40,182	40,132	39,564	36,780	4,192	-	-	-
Motor bus directly operated	-	-	-	-	-	-	632,112	693,325	679,591	759,352
Motor bus purch. trans.	1,325,923	1,230,076	1,167,955	1,162,528	1,065,774	1,020,612	383,347	397,959	363,219	343,283
Commuter rail purch. trans.	13,157	12,725	12,536	11,976	11,613	11,559	10,174	7,594	2,533	-
Vanpool-directly operated	-	-	-	-	12,754	42,089	41,243	42,080	47,464	61,828
Vanpool-purchased transportation	116,427	101,553	86,694	67,713	29,007	-	-	-	-	-
Total actual vehicle revenue hours	1,888,540	1,781,378	1,696,180	1,657,127	1,498,082	1,430,700	1,420,916	1,449,394	1,376,114	1,461,994
Annual Unlinked Trips										
Demand reponse directly operated	-	-	-	-	-	-	382,786	464,902	471,760	445,060
Demand reponse purch. trans.	694,632	650,696	656,476	647,054	613,590	592,042	195,529	55,658	4,730	257,750
Demand response taxi cab	-	-	25,902	28,678	19,730	20,144	33,431	126,439	189,609	-
Express bus directly operated	-	-	-	-	-	-	520,834	-	-	-
Express bus purch. Trans.	611,298	527,351	542,266	585,298	594,020	641,492	78,818	-	-	-
Motor bus directly operated	-	-	-	-	-	-	19,010,826	21,012,071	22,655,438	25,686,673
Motor bus purch. trans.	26,879,277	27,297,092	27,261,362	32,261,330	31,976,519	34,124,841	14,437,866	12,474,899	12,158,915	12,730,812
Commuter rail purch. trans.	811,242	824,704	806,331	833,195	763,551	834,699	527,370	377,666	120,788	-
Vanpool-directly operated	-	-	-	-	65,624	219,902	225,192	228,636	258,272	318,274
Vanpool-purchased transportation	511,337	459,555	432,558	344,695	168,300	-	-	-	-	-
Total actual unlinked trips	29,507,786	29,759,398	29,724,895	34,700,250	34,201,334	36,433,120	35,412,652	34,740,271	35,859,512	39,438,569

Unaudited - see accompanying auditors' report

OPERATING STATISTICS LAST TEN YEARS, continued

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Annual Passenger Miles										
Demand reponse directly operated	-	-	-	-	-	-	2,978,934	3,317,279	3,473,722	3,299,539
Demand reponse purch. trans.	5,615,058	5,581,909	5,222,308	5,006,753	4,944,288	4,772,554	1,591,830	400,623	42,830	1,725,012
Demand response taxi cab	-	-	169,347	179,147	128,787	138,430	261,435	895,136	1,234,524	-
Express bus directly operated	-	-	-	-	-	-	8,204,168	-	-	-
Express bus purch. Trans.	10,302,794	7,701,902	8,811,515	9,596,464	9,198,180	9,728,554	1,091,142	-	-	-
Motor bus directly operated	-	-	-	-	-	-	84,687,015	99,697,872	99,719,138	125,799,277
Motor bus purch. trans.	116,078,132	115,795,824	112,049,203	144,788,219	135,348,047	134,593,131	45,975,542	34,902,303	41,987,852	45,335,560
Commuter rail purch. trans.	12,269,528	13,034,972	13,241,488	13,491,230	12,006,789	13,281,938	8,534,175	6,424,718	2,145,345	-
Vanpool-directly operated	-	-	-	-	1,835,645	5,824,978	5,631,716	5,353,528	6,117,848	7,730,668
Vanpool-purchased transportation	19,572,510	16,720,887	14,763,768	10,508,902	4,485,538	-	-	-	-	-
Total actual vehicle revenue hours	163,838,022	158,835,494	154,257,629	183,570,715	167,947,274	168,339,585	158,955,957	150,991,459	154,721,259	183,890,056

**Total operating expenses does not include depreciation, rail freight expenses, or other nonallocated expenses for NTD.

Source: NTD report for each year

Unaudited - see accompanying auditors' report.

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
CAPITAL ASSETS
LAST TEN YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Capital assets not being depreciated:										
Land and Improvement	\$ 59,689,545	\$ 59,166,866	\$ 56,637,590	\$ 53,434,238	\$ 53,434,238	\$ 53,434,238	\$ 53,434,238	53,464,669	52,591,322	52,591,322
Construction in process - rail		-	-	-	-	-	-	-	-	35,873,022
Construction in process	74,723,419	59,247,399	22,204,736	14,746,255	10,852,403	18,629,684	10,198,381	6,332,694	7,167,942	99,423,556
Total capital assets not being depreciated	134,412,964	118,414,265	78,842,326	68,180,493	64,286,641	72,063,922	63,632,619	59,797,363	59,759,264	187,887,900
Other Capital Assets:										
Building and equipment	86,079,657	84,692,633	84,264,315	86,235,633	86,388,814	84,498,819	84,366,351	84,420,220	83,730,680	75,392,389
Railroad	149,028,997	139,643,809	135,922,532	123,424,501	122,520,746	118,507,063	116,277,808	115,028,241	114,030,619	63,768,426
Buses and equipment	326,473,242	290,922,992	270,202,037	261,467,893	259,299,553	251,960,816	240,658,237	236,207,013	236,530,267	183,183,246
Passenger parking & stations	89,425,600	87,162,200	86,785,928	86,390,678	83,801,047	69,997,889	67,712,096	70,677,031	68,511,701	44,150,917
Leashold improvements	-	-	-	-	-	82,198	82,198	82,198	82,198	82,198
Total other capital assets	651,007,495	602,421,634	577,174,812	557,518,705	552,010,160	525,046,785	509,096,690	506,414,703	502,885,465	366,577,176
Less: accumulated depreciation										
Building and equipment	49,040,930	46,826,275	44,721,335	43,285,522	41,136,061	38,230,502	35,382,804	32,649,558	29,429,151	26,340,124
Railroad	116,412,803	107,339,494	98,233,020	89,641,759	80,768,170	71,385,481	61,402,547	50,840,742	39,476,507	30,195,869
Buses and equipment	157,471,109	145,116,087	158,391,786	160,628,154	158,932,408	153,296,860	150,083,251	153,189,434	144,240,957	135,874,570
Passenger parking & stations	56,349,983	49,869,377	43,312,833	36,604,533	30,077,172	24,825,317	20,805,367	20,625,292	16,757,238	13,619,859
Leashold improvements	-	-	-	-	-	82,196	82,196	82,196	82,196	82,196
Total accumulated depreciation	379,274,825	349,151,233	344,658,974	330,159,968	310,913,811	287,820,356	267,756,165	257,387,222	229,986,049	206,112,618
Total capital assets, net	\$ 406,145,634	\$ 371,684,666	\$ 311,358,164	\$ 295,539,230	\$ 305,382,990	\$ 309,290,351	\$ 304,973,144	\$ 308,824,844	\$ 332,658,680	\$ 348,352,458

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY
TOTAL EMPLOYEES
LAST TEN YEARS**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Employee Count										
Capital Metro - administration	504	463	428	443	447	407	384	357	336	362
Startran Inc. - administrative	-	-	-	-	-	-	-	78	80	85
Startran Inc. - bargaining unit	-	-	-	-	-	-	-	842	803	818
Total Active Employees	504	463	428	443	447	407	384	1,277	1,219	1,265

Source: Capital Metro Human Resource Department

Employee count includes 203 part-time Security officers in 2018

Note: In August 2012, Capital Metro contracted out all bus operator employees

Unaudited - see accompanying auditors' report.

**CAPITAL METRO TRANSPORTATION AUTHORITY
FAREBOX RECOVERY PERCENTAGE LAST EIGHT YEARS (UNAUDITED)**

YEAR	PERCENTAGE	YEAR	PERCENTAGE
2011	11.67%	2015	9.92%
2012	13.08%	2016	10.69%
2013	11.20%	2017	10.60%
2014	10.60%	2018	9.90%

FARE STRUCTURE

	Local Local, UT Shuttle, MetroRapid, Flyer	Commuter MetroRail, MetroExpress	Para Transit MetroAccess 2
Single Ride	\$1.25	\$3.50	\$1.75
Single Ride, Reduced ³	\$0.60	\$1.75	N/A
Children 5 & Under ⁴	FREE	FREE	FREE
Uniformed Military	FREE	FREE	FREE
Capital Metro Employees	FREE	FREE	FREE
University of Texas Students ⁵	FREE	FREE	FREE
Passes and Tickets			
Day Pass	\$2.50	\$7.00	N/A
Day Pass, Reduced	\$1.25	\$3.50	N/A
7-Day Pass	\$11.25	\$27.50	N/A
31-Day Pass	\$41.25	\$96.25	N/A
31-Day Pass, Reduced	\$20.60	\$48.10	N/A
Monthly Pass	N/A	N/A	\$40.00 ⁶
Stored Value Pass	\$20.00 and \$40.00. Single ride payment or for paying multiple single rides on Local & Premium bus services only. Stored value pass can be used to purchase day passes on the bus and it is not valid for Rail (Not accepted at ticket vending machines).		
10-Ride MetroAccess Booklet	\$17.50 (Fare: 1 Ticket-One Way. Valid for MetroAccess services only.)		

¹ Para Transit Services (MetroAccess) are for individuals who, due to disability, are unable to use the fixed route system. Individuals must meet an enrollment criteria. MetroAccess is a cashless based service, it requires pre-purchased MetroAccess tickets or a valid MetroAccess monthly pass. The MetroAccess Single Ride tickets are not valid for any fixed route services or rail, however; the MetroAccess Monthly pass is valid for all bus and rail services.

² To be eligible for a reduced fare, the individual must be a Senior 65+ years of age, Medicare qualified, Disability qualified, Para transit qualified. In addition, the individual is required to obtain a Capital Metro issued ID in order to ride at the reduced cash fare and to purchase reduced fare passes. Students 6-18 years of age and Active or Reserve Duty Military personnel are also eligible to pay a reduced fare, but must present a valid school and military ID, respectively.

³ University of Texas students are required to swipe their UT ID to ride fixed route services and must present their ID upon the request of a MetroRail fare inspector when riding MetroRail services.

⁴ Children 6 years and under must be accompanied by an adult.

⁵ This is a monthly pass, not a 31-Day rolling pass

⁶ Upon meeting certain requirements, 31 & 7-Day rolling passes, day passes, ticket booklets and monthly Para Transit passes are available at discount to qualified non-profit agencies. An enrollment process is required.

Capital Metro began a pilot program in June 2018 that provided free fares for K-12 students. This pilot was made permanent in December 2018.

Unaudited – see accompanying auditors’ report.