

# Comprehensive Annual Financial Report

For the years ended September 30, 2017 and 2016



Capital Metropolitan Transportation Authority | Austin, Texas





COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the Fiscal Years Ended September 30, 2017 & 2016



CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
AUSTIN, TEXAS

Prepared by the Finance Department

**Capital Metropolitan Transportation Authority**

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# 2017 Comprehensive Annual Financial Report

## Introductory Section

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March 6, 2018

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, 2017.

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. All disclosures necessary to enable the reader to gain an understanding of Capital Metro's financial affairs have been included.

During Fiscal Year 2017, Capital Metro continued its upward trend by further implementing stronger business and financial management practices, streamlining its operations and solidifying the agency's standing within the community. 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 FY2017, 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 FY2017, MetroRail provided almost 825,000 rides, a 2% percent increase compared to FY2016.

The agency operates a vanpool program called MetroRideShare that features more than 240 participants. In FY2017, the service saw a ridership increase of 6 percent. 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 FY2017, the freight rail operation shipped cargo on more than 52,951 rail cars, removing over 211,804 semi-trucks from our roadways.

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 more than 1.2 million residents within a 537-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.

In 2017, Capital Metro earned designation as one of Central Texas' Healthiest Employer from the *Austin Business Journal*, and its wellness programs were recognized by Austin Mayor Steve Adler's Mayor's Fitness Council. The League of American Bicyclists has rated Capital Metro as a Gold-Level Bike Friendly Business.

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 2017 the Milkin Institute's Center for Jobs and Human Capital ranked Austin among the 10 best performing cities in the United States, though down from number three the year before.

After more than five years ranking among the top five regions in the nation in job growth, that trend slowed somewhat in 2017, ranking outside of the top 10 cities in terms of five-year job growth. Austin's adjusted unemployment rate at the end of FY2017 of 2.7 percent was the lowest level since the turn of the century, according to the Chamber of Commerce. For the year, Texas added an estimated 307,000 nonfarm jobs.

Approximately 110 people move to the region daily, adding 70 new cars to the area's roadways.

To keep up with the region's 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 high-capacity transit vision for Central Texas. The multiyear process will result in a specific set of projects designed to improve mobility into, out of and around Central Austin.

In addition, the board of directors approved the Connections 2025 Transit Plan, our 10-year service plan. It is nothing less than a complete transformation of our bus system. Although smaller parts of the plan have been implemented already, June 2018 will mark the most significant portions of the Connections 2025 changes. Called Cap Remap, the changes will affect more than half of Capital Metro's current routes and better than triple the number of Local routes in our High-Frequency Network.

The agency has worked with cities outside our current service area through 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. Service in Round Rock and Georgetown began in August 2017, and agency staff is currently working 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, now held over 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.


**Certificate of Achievement for Financial Reporting**

Capital Metro has again received the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2016 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,



Elaine Timbes  
Capital Metro /Interim President/CEO



Reinert 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, 2016**

*Christopher P. Morill*

Executive Director/CEO

**Capital Metropolitan Transportation Authority**  
Board of Trustees and Administration

**BOARD OF TRUSTEES**

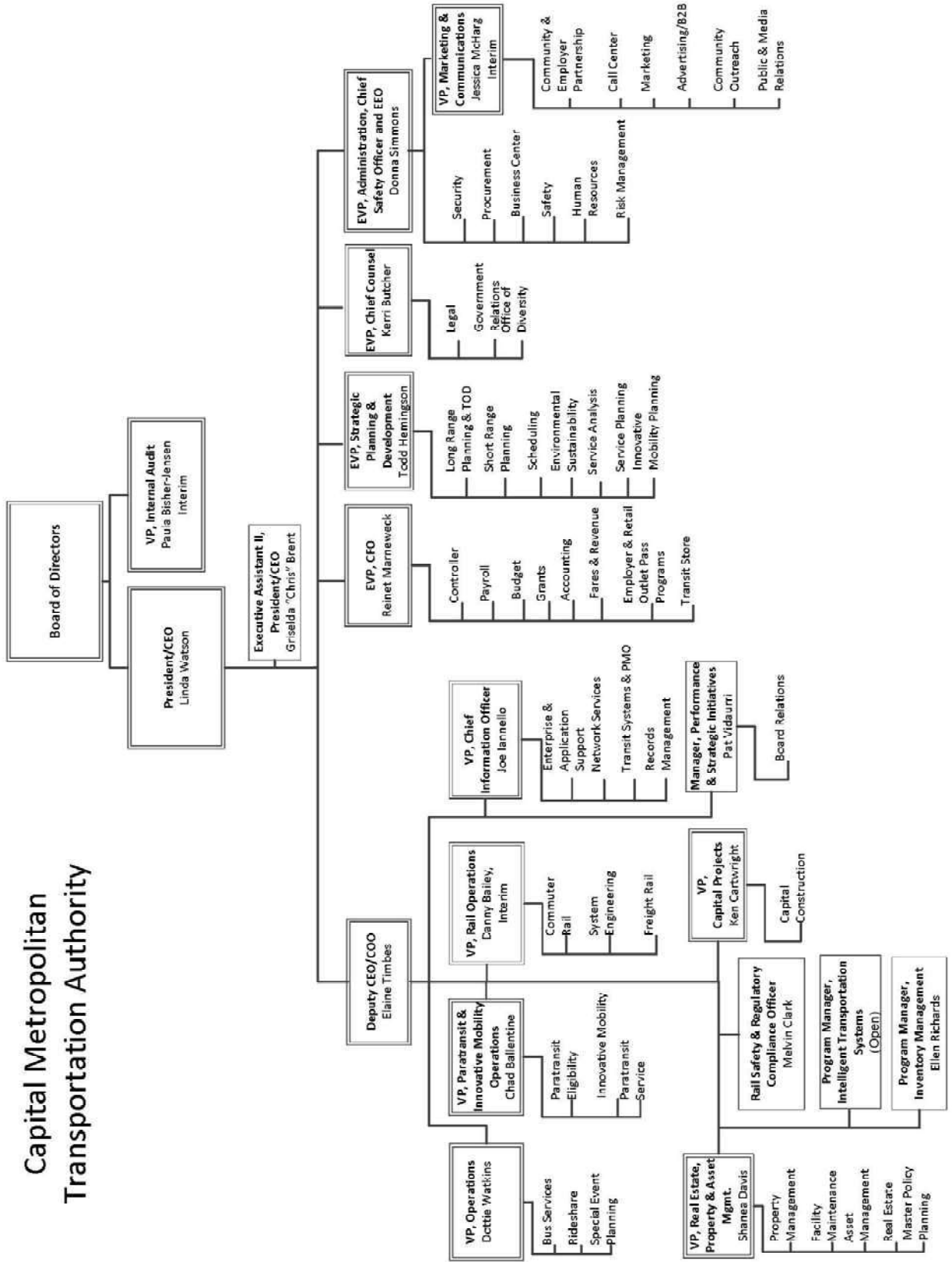
**APPOINTING BODY**

Wade Cooper, Chairman	Capital Area Metropolitan Planning Organization
Beverly Silas, Vice Chair	Travis County Commissioner's Court
Juli Word, Secretary	Williamson County Commissioner's Court
Rita Jonse	Small Cities Elected Official Representative
Terry Mitchell	Capital Area Metropolitan Planning Organization
Delia Garza	City of Austin
Ann Kitchen	Capital Area Metropolitan Planning Organization
Sabino Renteria	City of Austin

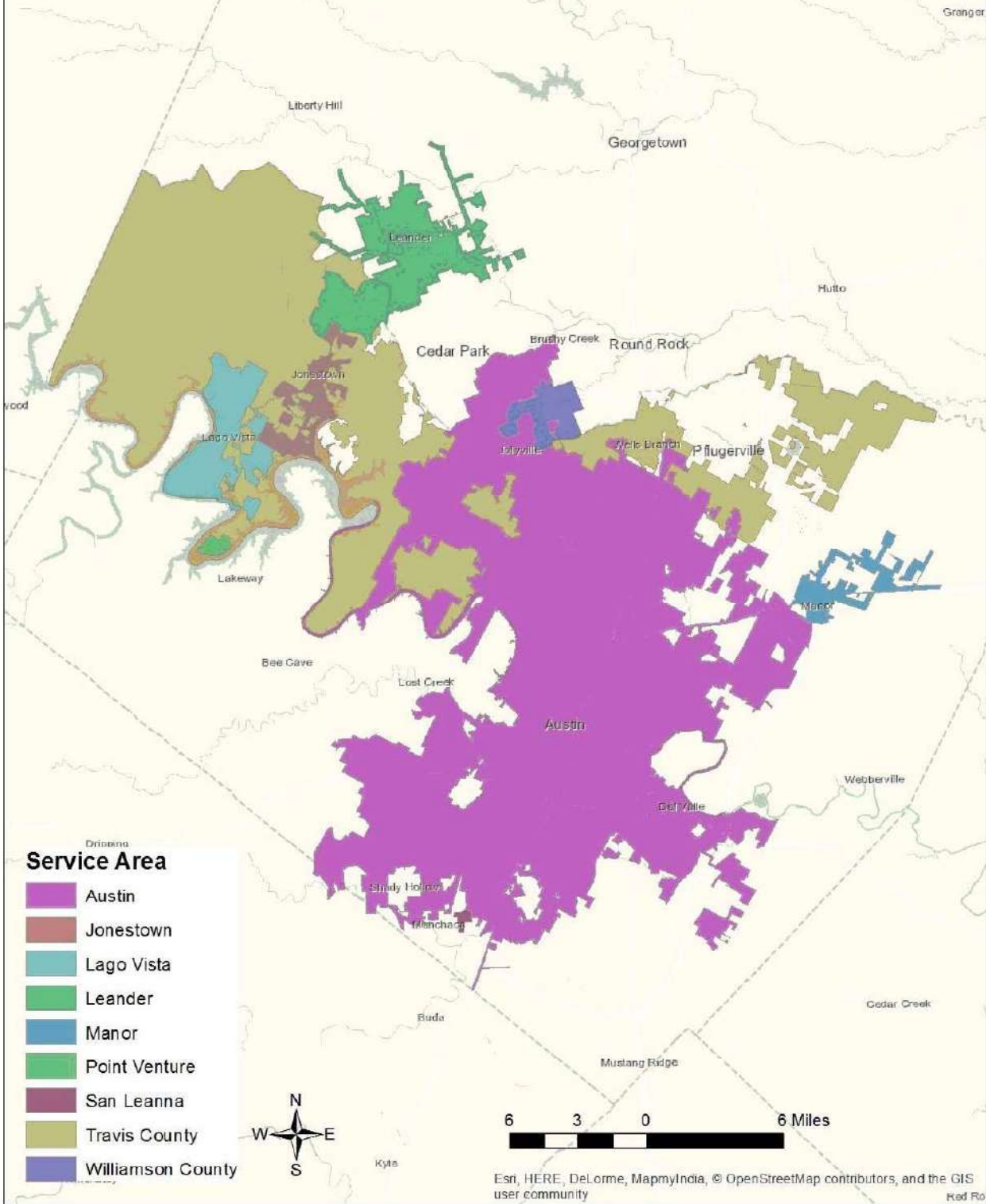
**ADMINISTRATION**

Linda Watson	President/Chief Executive Officer
Elaine Timbes	Deputy Chief Executive Officer, Chief Operating Officer
Reinet Marneweck	Executive Vice President, Chief Financial Officer
Kerri Butcher	Chief Counsel

# Capital Metropolitan Transportation Authority



# Capital Metro Service Area





# 2017 Comprehensive Annual Financial Report

## Financial Section

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## 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express 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, 2017, 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.

**Other Matters**

The financial statements of the Authority as of and for the year ended September 30, 2016, were audited by other auditors, whose report dated March 23, 2017, expressed an unmodified opinion on those statements.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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 Introductory and Statistical Sections 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 5, 2018

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, 2017. 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 approximately \$500.7 million as of September 30, 2017, an increase of \$46.2 million from net position of approximately \$454.5 million, for the year ended September 30, 2016. (Table A-1).
- The FY 2017 sales tax revenue was approximately \$228.5 million compared to \$ 221.3 million in FY 2016, and \$210.4 million in FY 2015. This represents increases of approximately 3.2% (2017 over 2016) and 5.2% (2016 over 2015). Transportation fares decreased from approximately \$14.1 million in FY 2016 to \$13.5 million in FY 2017. Commuter rail decreased slightly from approximately \$ 2.7 million in revenue for FY 2016 to \$2.5 million in FY 2017. Rail freight revenue also showed a slight decrease from approximately \$4.7 million in FY 2016 to \$4.5 million in FY 2017. (Table A-2).
- Operating expenses (including depreciation) were approximately \$268.5 million for FY 2017 compared to \$261.5 million for FY 2016, an increase of approximately 2.7% (Table A-3).
- Payments of approximately \$6.9 million in FY 2017 and \$1.9 million in FY 2016 were made for regional mobility projects and the Build Central Texas Program (Table A-4).
- Capital assets (net of depreciation) increased by approximately \$60.3 million to \$371.7 million in fiscal year 2017 from approximately \$311.4 million as of September 30, 2016 (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 71% of all revenues in FY 2017, and 73% of all revenues in FY 2016, 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.

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 approximately \$46.3 million, from \$454.5 million in FY 2016 to \$500.8 million in FY 2017, 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 employee benefit expenses. 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. The total net position of CMTA increased \$37.8 million, from \$416.7 million for FY 2015 to \$454.5 million in FY 2016, primarily due to an increase in sales and use tax, increases in federal and other capital contributions, and offset by an increase in purchased transportation expenses.

Total assets and deferred outflows increased to approximately \$642.7 million in FY 2017 from \$595.8 million in FY 2016 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. Total assets and deferred outflows increased to \$595.8 million in FY 2016 from \$563.2 million in FY 2015 due primarily to increased cash and investment balances accumulated to fund budgeted capital improvement projects.

Current liabilities increased approximately \$25.6 million from \$37.9 million in FY 2016 to \$63.5 million in FY 2017 due to an increase in accrued expenses related to timing of purchased transportation payments, and an increase in accrued sick and vacation benefits. Long-term liabilities decreased from approximately \$102.0 million in FY 2016 to \$76.6 million for FY 2017 primarily due to expenses incurred against the Texas Department of Transportation grant which were received in advance in 2015 and the reduction of notes payable.

Current liabilities decreased \$1 million from \$38.9 million in FY 2015 to \$37.9 million in FY 2016 due to a change in management's estimate for accrued sick and vacation benefits. Long-term liabilities decreased from \$107.4 million in FY 2015 to \$102 million for FY 2016 primarily due to expenses incurred against the Texas Department of Transportation grant which were received in advance in 2015 and the reduction of notes payable.

Comparative amounts for prior years 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)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015*</u>
Current assets	\$ 171.6	\$ 149.0	\$ 194.1
Capital assets, net	371.7	311.4	295.5
Other noncurrent assets	88.4	120.9	60.2
Deferred outflow of resources	11.0	14.5	13.4
Total assets and deferred outflows	<u>642.7</u>	<u>595.8</u>	<u>563.2</u>
Current liabilities	63.6	37.9	38.9
Long term liabilities	76.6	102.0	107.4
Total liabilities	<u>140.2</u>	<u>139.9</u>	<u>146.3</u>
Deferred inflows	<u>1.8</u>	<u>1.3</u>	<u>0.3</u>
Net position			
Net investment in capital assets	356.2	292.3	282.0
Unrestricted	144.5	162.2	134.7
Total net position*	<u>\$ 500.7</u>	<u>\$ 454.5</u>	<u>\$ 416.7</u>

\*FY 2015 restated for GASB 68. See Note 10.

Certain unrestricted assets are designated through Board directive for specific uses. As of September 30, 2017 and 2016 CMTA Board has designations of approximately \$38.2 million and 37.7 million, respectively, for a statutory operating reserve, \$10.0 million and \$7.0 million, respectively, for a budget stabilization reserve, and \$1.3 million and \$1.3 million, respectively, 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 approximately \$60.0 million and \$73.6 million as of September 30, 2017 and 2016, respectively. CMTA has also executed contracts with various goods and services providers totaling approximately \$341.7 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 2017 was an increase of approximately \$46.3 million or 10.2% of total beginning net position. The change in net position for FY 2016 was an increase of approximately \$37.8 million or 9.0% of total beginning net position. Total operating revenue remained stable offset by the operating and nonoperating expenses noted below.

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

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Operating revenue:			
Transportation fares	\$ 13.5	\$ 14.1	\$ 13.6
Contract revenue and fares	8.2	7.3	6.8
Rail—freight	4.5	4.7	5.1
Transportation fares—commuter rail	2.5	2.7	3.3
Total operating revenue	<u>28.7</u>	<u>28.8</u>	<u>28.8</u>
Operating expenses:			
Purchased transportation	143.5	145.0	123.7
Depreciation and amortization	39.2	35.6	33.5
Services	18.6	19.2	21.7
Salary and wages	22.2	20.7	18.6
Materials and supplies—fuel and fluid	12.3	14.2	16.5
Employee benefits	22.0	15.2	15.3
Leases and Other	4.1	4.9	3.3
Utilities	2.8	2.7	2.6
Casualty and liability	0.5	0.7	2.3
Materials and supplies—other	3.3	3.3	1.8
Total operating expenses	<u>268.5</u>	<u>261.5</u>	<u>239.3</u>
Operating loss	<u>(239.8)</u>	<u>(232.7)</u>	<u>(210.5)</u>
Nonoperating revenue (expenses)			
Sales and use tax	228.5	221.3	210.4
Investment income	1.4	1.4	0.1
Other income, net	2.4	2.9	3.2
Operating contributions	30.8	29.2	29.9
Build Central Texas Program	(2.9)	(0.2)	(0.6)
Mobility programs	(4.0)	(1.7)	(2.3)
Total nonoperating revenue (expenses)	<u>256.2</u>	<u>252.9</u>	<u>240.7</u>
Income before contributions	16.4	20.2	30.2
Capital contributions	<u>29.9</u>	<u>17.6</u>	<u>8.8</u>
Change in net position	46.3	37.8	39.0
Total net position, beginning of the year*	<u>454.5</u>	<u>416.7</u>	<u>377.7</u>
Total net position, end of the year	<u>\$ 500.8</u>	<u>\$ 454.5</u>	<u>\$ 416.7</u>

\*FY 2015 restated for GASB 68. See Note 10

**Operating Expenses**

FY 2017 operating expenses increased 2.7% to approximately \$268.5 million from \$261.5 million in FY 2016, primarily due to increased costs for employee benefits (pension costs) and depreciation expense, offset by decreases in purchased transportation and fuel and fluid expense.

FY 2016 operating expenses increased 9.2% to \$261.5 million from \$239.3 million in FY 2015, primarily due to increased costs for purchased transportation in scheduled fixed route and non-scheduled special services, and moving all rail-related operations to contract.

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

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Purchased Transportation	\$ 143.5	\$ 145.0	\$ 123.7
Depreciation and amortization	39.2	35.6	33.5
Services	18.6	19.2	21.7
Salary and wages	22.2	20.7	18.6
Materials and supplies—fuel and fluid	12.3	14.2	16.5
Employee benefits	22.0	15.2	15.3
Leases and Other	4.1	4.9	3.3
Utilities	2.8	2.7	2.6
Casualty and liability	0.5	0.7	2.3
Materials and supplies—other	3.3	3.3	1.8
	<u>\$ 268.5</u>	<u>\$ 261.5</u>	<u>\$ 239.3</u>
Total operating expenses	<u>\$ 268.5</u>	<u>\$ 261.5</u>	<u>\$ 239.3</u>

**Nonoperating Revenue**

Nonoperating 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 commissions 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 2017 and 2016, sales tax revenue increased by approximately \$7.2 million and \$10.9, or 3.3% and 5.2%, respectively, due to continued economic growth in the area.

Investment income of approximately \$1.4 million for FY 2017 and 2016, respectively, was earned on CMTA's cash reserve of approximately \$209.3 million and \$220.4 million, respectively. During FY 2017 and 2016, 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)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Sales and use tax	\$ 228.5	\$ 221.3	\$ 210.4
Other federal grants	30.8	29.2	29.9
Other income, net	2.4	2.9	3.2
Investment income	1.4	1.4	0.1
Build Central Texas Program	(2.9)	(0.2)	(0.6)
Mobility interlocal agreements	(4.0)	(1.7)	(2.3)
Capital contributions—other jurisdictions	<u>(0.01)</u>	<u>-</u>	<u>-</u>
Total net non-operating revenue	<u>\$ 256.2</u>	<u>\$ 252.9</u>	<u>\$ 240.7</u>

#### **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 line. 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 2017 and FY 2016, CMTA recognized other federal grant funding of approximately \$30.8 million and \$29.2 million, respectively.

#### **Capital Assets**

CMTA's net capital assets at September 30, 2017 and 2016, totaled approximately \$371.7 million and \$311.4 million, respectively, 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 19.4% and 5.3% from FY 2016 and 2015, respectively, due to increases in buses and equipment, 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)**

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Building and improvements	\$ 84.7	\$ 84.3	\$ 86.2
Railroad	139.6	135.9	123.4
Buses and equipment	290.9	270.2	261.5
Passenger parking and stations	<u>87.2</u>	<u>86.8</u>	<u>86.4</u>
	602.4	577.2	557.5
Less: accumulated depreciation	<u>(349.1)</u>	<u>(344.7)</u>	<u>(330.1)</u>
Net depreciable property/improvements	<u>253.3</u>	<u>232.5</u>	<u>227.4</u>
Land and improvements	59.2	56.7	53.4
Construction in progress	<u>59.2</u>	<u>22.2</u>	<u>14.7</u>
Capital assets (net)	<u>\$ 371.7</u>	<u>\$ 311.4</u>	<u>\$ 295.5</u>



**Long-Term Debt**

In February 2006, Capital Metro entered into a lease/purchase financing agreement for funding of rail vehicles in the amount of approximately \$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.

As of September 30, 2017 and 2016, the lease/purchase financing agreement balance was approximately \$3.7 million and \$6.5 million, respectively, the long-term financing agreement balance was approximately \$10.6 million and \$12.5 million respectively.

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 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Rail lease purchase	\$ 3.7	\$ 6.5	\$ 9.3
Note payable—buses	<u>10.6</u>	<u>12.5</u>	<u>14.5</u>
Total	<u>\$ 14.3</u>	<u>\$ 19.0</u>	<u>\$ 23.8</u>

**Economic Factors and Outlook for FY 2018**

Capital Metro's adopted FY 2018 budget totaled approximately \$335.4 million in revenue, approximately \$262.4 million in operating expenses, approximately \$151.5 million for new capital expenditures and approximately \$12.4 million for Regional Mobility and pass through grants. In the FY 2018 budget, sales tax revenue was projected to increase 1.3% over the FY 2017 budgeted sales tax revenue. FY 2018 budgeted operating expenses were projected to decrease 0.7% from the FY 2017 budget. Management anticipates that its existing resources will be adequate to satisfy its liquidity requirements for FY 2018.

**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 5<sup>th</sup> Street, Austin, Texas 78702, call (512) 389-7564, or e-mail [lea.sandoz@capmetro.org](mailto:lea.sandoz@capmetro.org).

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY**  
**Statements of Net Position**  
**September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 68,951,727	74,473,948
Investments	55,198,988	29,301,483
Due from federal and other governments	2,238,858	838,350
Fuel Hedge Asset	1,225,994	2,152,173
Materials and supplies inventory, net	799,580	459,491
Prepaid transit expense and other	959,495	885,061
Other receivables, net	3,640,291	3,377,098
Sales and use taxes receivable	38,612,459	37,542,934
Total current assets	171,627,392	149,030,538
Non-current assets:		
Investments - designated for system expansion	60,200,000	73,600,000
Restricted for system expansion and acquisition:		
Restricted—cash and cash equivalents	16,128,089	11,349,189
Restricted—investments	8,866,091	31,725,651
Capital assets		
Land and improvements	59,166,866	56,637,590
Depreciable capital assets, net of depreciation	253,270,399	232,515,838
Projects in Process	59,247,399	22,204,736
Other assets	3,165,670	4,220,893
Total non-current assets	460,044,514	432,253,897
Total assets	631,671,906	581,284,435
Deferred outflow of resources—pension plan	-	1,962,433
Deferred outflow of resources— fuel hedge	11,040,533	12,540,245
Total assets and deferred outflow of resources	\$ 642,712,439	595,787,113

*Continued on next page*

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY**  
**Statements of Net Position**  
**September 30, 2017 and 2016**  
*(continued)*

	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 19,384,382	23,875,300
Accrued expenses	28,253,449	4,428,146
Benefits payable	368,003	310,409
Accrued salary and wages	489,141	452,993
Accrued sick and vacation	2,659,082	626,497
Bus purchase notes payable	2,020,000	1,975,000
Commuter rail car and stations notes payable	2,917,311	2,846,070
City of Austin Interlocal Agreement	-	931,624
Retainage	1,293,849	755,918
Payable from restricted assets	6,165,704	1,699,775
Total current liabilities	63,550,921	37,901,732
Long term liabilities:		
Accrued sick and vacation	1,263,363	3,767,631
Other post employment benefits	978,321	682,000
Bus purchase notes payable	8,530,000	10,550,000
Commuter rail car and stations notes payable	740,667	3,657,980
Other rent liability	546,592	598,875
Unearned grant revenue commuter rail cars and station	18,828,476	41,375,065
Pension liability	45,739,691	41,415,497
Total long term liabilities	76,627,110	102,047,048
Total liabilities	140,178,031	139,948,780
Deferred inflow—fuel hedge	556,966	-
Deferred inflow—pension plan	1,208,773	1,288,901
Total liabilities and deferred inflow of resources	141,943,770	141,237,681
Net Position:		
Net investment in capital assets	356,182,839	292,329,115
Unrestricted	144,585,830	162,220,317
Total net position	\$ 500,768,669	454,549,432

**Capital Metropolitan Transportation Authority**  
**Statements of Revenue, Expenses and Changes in Net Position**  
**For the years ended September 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Operating revenue</b>		
Transportation fares	\$ 13,455,755	14,124,211
Contract revenue	8,151,879	7,286,377
Rail—freight	4,522,523	4,756,093
Transportation fares—commuter rail	2,541,925	2,656,212
Total operating revenue	28,672,082	28,822,893
<b>Operating expenses</b>		
Purchased transportation	143,514,968	145,026,467
Depreciation and amortization	39,145,873	35,561,903
Services	18,619,086	19,249,051
Salary and wages	22,191,680	20,661,429
Materials and supplies—fuel and fluid	12,296,911	14,186,826
Employee benefits	22,004,329	15,232,807
Leases and other	4,129,132	4,865,625
Utilities	2,784,922	2,678,320
Casualty and liability	517,691	681,159
Materials and supplies—other	3,324,104	3,318,506
Total operating expenses	268,528,696	261,462,093
<b>Operating loss</b>	(239,856,614)	(232,639,200)
<b>Non-operating revenue (expenses)</b>		
Sales and use tax revenue	228,545,196	221,298,639
Other federal grants	30,797,301	29,172,453
Other income, net	2,407,217	2,964,311
Investment income	1,395,002	1,386,061
Build Central Texas Program	(2,927,158)	(180,544)
Mobility interlocal agreements	(3,998,451)	(1,709,281)
Capital contributions—other jurisdictions	(57,160)	-
Total non-operating revenue (expenses)	256,161,947	252,931,639
<b>Increase in net position before capital contributions</b>	16,305,333	20,292,439
Federal and other capital contributions	29,913,904	17,603,305
<b>Change in net position</b>	46,219,237	37,895,744
<b>Net position at the beginning of year, restated (see Note 11)</b>	454,549,432	416,653,688
<b>Net position at the end of year</b>	\$ 500,768,669	454,549,432

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

**Capital Metropolitan Transportation Authority**  
**Statement of Cash Flows**  
**For the years ended September 30, 2017 and 2016**

<b>Cash flows from operating activities</b>	<b>2017</b>	<b>2016</b>
Receipts from customers	\$ 31,602,613	30,559,106
Payments to employees	(17,463,812)	(16,500,712)
Payments for employee taxes	(7,062,884)	(6,457,338)
Payments to purchased transportation service providers	(133,144,626)	(145,026,468)
Payments to suppliers of goods and services	(47,815,293)	(50,887,029)
Net cash used in operating activities	<u>(173,884,002)</u>	<u>(188,312,441)</u>
<b>Cash flows from non-capital financing activities</b>		
Sales and use tax	227,475,671	219,948,072
Cash/Proceeds received from operating grants	30,656,285	29,474,982
Payments for Build Central Texas Program	(2,927,158)	(180,544)
Payments for City of Austin	(931,624)	(982,418)
Payments for mobility projects	(3,998,451)	(244,922)
Net cash provided by non-capital financing activities	<u>250,274,723</u>	<u>248,015,170</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from capital grants	6,599,081	13,607,062
Purchase of capital assets	(90,756,285)	(56,964,124)
Proceeds from sale of capital assets	87,178	2,859,988
Payment of note payable	(1,973,261)	(1,935,000)
Payments on master lease financing agreement	(2,847,811)	(2,776,568)
Net cash used in capital and related financing activities	<u>(88,891,098)</u>	<u>(45,208,642)</u>
<b>Cash flows from investing activities</b>		
Sale of investments	131,550,757	224,638,172
Purchase of investments	(121,188,703)	(228,821,060)
Net investment income	1,395,002	1,386,061
Net cash provided by (used in) investing activities	<u>11,757,056</u>	<u>(2,796,827)</u>
<b>Net change in cash and cash equivalents</b>	(743,321)	11,697,260
<b>Cash and cash equivalents at beginning of year</b>	85,823,137	74,125,877
<b>Cash and cash equivalents at the end of the year</b>	<u>\$ 85,079,816</u>	<u>85,823,137</u>
<b>Cash and cash equivalents at the end of the year</b>		
Restricted	16,128,089	11,349,189
Unrestricted	68,951,727	74,473,948
	<u>\$ 85,079,816</u>	<u>85,823,137</u>

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

**Continued on next page**

**Capital Metropolitan Transportation Authority**  
**Statement of Cash Flows**  
**For the years ended September 30, 2017 and 2016**

<b>Reconciliation of operating loss to net cash used in operating activities:</b>	<b>2017</b>	<b>2016</b>
<b>Operating loss</b>	\$ (239,856,614)	(232,639,200)
<b>Adjustments to reconcile operating loss to net cash used in operating activities</b>		
Depreciation and amortization	39,145,873	35,561,903
<b>Changes in assets and liabilities</b>		
Other receivables	(263,194)	(705,586)
Inventory	(340,089)	2,385,354
Fuel hedge asset	926,179	106,110
Other assets	2,284,744	5,055,512
Accounts payable	15,554,156	1,409,060
Accrued liability and expenses	454,049	(1,940,363)
Deferred rent	(52,283)	28,857
Deferred Pension	5,743,778	-
Deferred outflows/Inflows fuel hedge	2,519,399	2,425,912
<b>Net cash used in operating activities</b>	<u>\$ (173,884,002)</u>	<u>(188,312,441)</u>
<b>Non cash capital and related financing activities</b>		
Change in Unearned grant revenue	<u>22,546,589</u>	<u>4,075,081</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.

## 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 71% of revenues in fiscal year 2017 and 73% in fiscal year 2016.

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



**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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-participating 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.

Account 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, 2017 and 2016, management determined account 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 Statement 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 \$1.8 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 \$0.4 million and \$1.1 million, which is included in accrued sick and vacation, as of September 30, 2017, and 2016, respectively.

Pensions – The net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, 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.

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, 2016, 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 and deferred inflows for the accumulation of gains and losses on fuel hedge.

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 2017 and 2016, 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.

## **1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

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.

### **Upcoming GASB Pronouncements**

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for the Authority beginning with its year ending September 30, 2018.

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.

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 is currently evaluating 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, 2017 and 2016, deposits with financial institutions were fully insured, or collateralized by securities held by a third party agent in Capital Metro’s name.

	2017 Carrying Amount	2016 Carrying Amount
TexasDAILY	\$ 86,824,816	86,778,397
LESS:		
Outstanding reconciling items	(1,745,000)	(955,260)
Total cash and cash equivalents	<u>85,079,816</u>	<u>85,823,137</u>
Restricted cash for system expansion and acquisition	16,128,089	11,349,189
Unrestricted Cash	68,951,727	74,473,948
Total cash and cash equivalents	<u>\$ 85,079,816</u>	<u>85,823,137</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 its agencies and instrumentalities.
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.

## 2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued

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. The investment advisor and administrator for TexasDAILY is PFM Asset Management LLC.

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 years ended September 30, the Authority's investment in TexasDAILY was \$86,824,816 for 2017, and \$86,778,397 for 2016.

TexasTERM is a fixed-rate, fixed-term portfolio, rated AAAM by Standard & Poor's. Texas Term are short term investments in nonparticipating interest earning investment contracts which are stated NAV based on amortized cost. For the years ended September 30, Capital Metro's investment in TexasTERM was \$0 for 2017, and \$7,500,000 for 2016.

**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, 2017, Capital Metro's investment was \$43,759,196 in US Treasury Notes, \$51,599,829 in Federal Agency Notes, and 28,906,054 in commercial paper. As of September 30, 2016, the Authority's investment was \$42,841,949 in US Treasury Notes, \$53,183,177 in Federal Agency Notes, and \$31,102,008 in commercial paper.

The Authority did not participate in any reverse repurchase agreements or security lending agreements during fiscal year 2017 or 2016.

**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.

**2 – CASH AND CASH EQUIVALENT DEPOSITS AND INVESTMENTS, continued**

**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 laddered 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, 2017 and 2016, Capital Metro’s exposure to interest rate risk as measured by the segmented time distribution by investment type is summarized as follows:

Investment Maturities in Years - 2017					
	Less than 90 Days	From 90 Days to 180 Days	From 181 Days to 365 Days	Greater than 365 Days	Total
<b>Investments</b>					
US Bank:					
Commercial Paper	\$ 12,131,543	8,502,187	8,272,324	-	28,906,054
Federal Agency Notes	-	6,241,618	13,311,979	32,046,232	51,599,829
US Treasury Notes	2,596,080	1,598,808	7,025,647	32,538,661	43,759,196
Total Investments	<u>\$ 14,727,623</u>	<u>16,342,613</u>	<u>28,609,950</u>	<u>64,584,893</u>	<u>124,265,079</u>
Investment Maturities in Years - 2016					
	Less than 90 Days	From 90 Days to 180 Days	From 181 Days to 365 Days	Greater than 365 Days	Total
<b>Investments</b>					
US Bank					
Commercial Paper	\$ 1,198,536	29,903,472	-	-	31,102,008
Federal Agency Notes	-	2,025,252	3,500,595	47,657,330	53,183,177
US Treasury Notes	-	-	27,583,894	15,258,055	42,841,949
TexasTERM	7,500,000	-	-	-	7,500,000
Total Investments	<u>\$ 8,698,536</u>	<u>31,928,724</u>	<u>31,084,489</u>	<u>62,915,385</u>	<u>134,627,134</u>

**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 years ended September 30, 2017 and 2016, the Authority’s exposure to credit risk by investment category as rated by Standard & Poor’s is as follows:

	2017 Carrying Value		2016 Carrying Value	
<b>Cash and cash equivalents</b>				
TexasDAILY	\$ 86,824,179	AAAm	86,778,397	AAAm
	<u>86,824,179</u>		<u>86,778,397</u>	
<b>Investments</b>				
US Bank				
Commercial Paper	24,982,322	A-1	28,407,342	A-1
Commercial Paper	3,923,732	A-1+	2,694,666	A-1+
Federal Agency Notes	51,599,829	AA+	53,183,176	AA+
United States Treasury Notes	43,759,196	AA+	42,841,950	AA+
TexasTERM	-		7,500,000	AAAf
Total Investments	<u>\$ 124,265,079</u>		<u>134,627,134</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 does not have any one issuer that represents 5% of more of 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.

**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, 2017 and 2016, 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 tables summarize the inputs used as of September 30, 2017 for Capital Metro’s assets and liabilities measured at fair value:

Investment	2017			
	Fair Value	Level 1	Level 2	Level 3
Commercial Paper	\$ 28,906,054	-	28,906,054	-
Federal Agency Notes	51,599,829	-	51,599,829	-
United States Treasury Notes	43,759,196	-	43,759,196	-
Total Investment	<u>\$ 124,265,079</u>	<u>-</u>	<u>124,265,079</u>	<u>-</u>

The following tables summarize the inputs used as of September 30, 2016 for Capital Metro’s investments measured at fair value:

Investment	2016			
	Fair Value	Level 1	Level 2	Level 3
Commercial Paper	\$ 31,102,008	-	31,102,008	-
Federal Agency Notes	53,183,177	-	53,183,177	-
United States Treasury Notes	42,841,949	-	42,841,949	-
	127,127,134	-	127,127,134	-
<u>Investments at NAV based on Amortized Cost</u>				
TexasTERM	7,500,000			
Total Investment	<u>\$ 134,627,134</u>			

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, 2017 and 2016, consist of the following:

	2017	2016
Accounts receivable	\$ 3,708,473	3,393,398
Due from Federal and other governments	2,238,858	838,350
Sales tax	38,612,459	37,542,934
Allowance for doubtful accounts	(68,182)	(16,300)
Total receivables	<u>\$ 44,491,608</u>	<u>41,758,382</u>



**4 – ACCRUED EXPENSES**

Accrued expenses at September 30, 2017 and 2016, consist of the following:

	2017	2016
Accrued accounts payable	\$ 27,401,250	3,586,230
Worker's compensation self-insurance	146,000	210,000
Accrued other	706,199	631,916
Total accrued expenses	<u>\$ 28,253,449</u>	<u>4,428,146</u>

Accrued accounts payable at September 30, 2017, consists primarily of \$10.8 million for capital projects, and \$11.2 million for purchased transportation services, and \$6.2 million for other services. Accrued accounts payable at September 30, 2016, consists primarily of \$3.1 million for capital projects, and \$1.3 million for other services.

**5 – DESIGNATED NET POSITION and RESERVE POLICY**

Certain net 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, 2017 and 2016, \$38.2 million and \$37.7 million, respectively, was allocated to the statutory operating 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. Capital Metro entered into a lease for office space beginning in September 2013 and expiring September 2018.

**6 – LEASES, continued**

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

Fiscal Year Ended September 30	Operating Leases
2018	\$ 1,089,815
2019	143,106
2020	143,106
2021	143,106
2022	143,106
2023-2027	715,531
2028-2032	715,531
2033-2037	715,531
2038-2042	715,531
2043-2047	715,531
2048-2052	715,531
2053-2056	441,243
Total lease commitments	<u>\$ 6,396,668</u>

Rent expense was approximately \$1,884,460 for the year ended September 30, 2017, and \$2,218,802 for the year ended September 30, 2016.

**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. The financed amount was \$36,044,935 with an interest rate of 3.7747%, payments due quarterly on the 15<sup>th</sup> 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 note in the amount of \$19,190,263 with an interest rate of 2.48%, payments due quarterly on the 15<sup>th</sup> of January, April, July, and October of each year beginning on January 15, 2012 for 7 years in the payment amount of \$745,260. The balance was \$3,657,980 as of September 30, 2017, and \$6,504,050 as of September 30, 2016.

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. The balance was \$10,550,000 as of September 30, 2017, and \$12,525,000 as of September 30, 2016.

The Authority has pledged certain assets as security for the obligations.

## 7 – LONG-TERM LIABILITIES, continued

### Debt Service Requirements

Yearly Service Requirements	Master Lease Purchase Financial Agreement		Long-Term Financing Note Payable	
	Principal	Interest	Principal	Interest
2018	\$ 2,917,311	\$ 63,727	\$ 2,020,000	\$ 205,110
2019	740,667	4,592	2,065,000	161,196
2020	-	-	2,110,000	116,315
2021	-	-	2,155,000	70,466
2022	-	-	2,200,000	23,650
Total	<u>\$ 3,657,978</u>	<u>\$ 68,319</u>	<u>\$ 10,550,000</u>	<u>\$ 576,737</u>

### Changes in Long-Term Liabilities

The changes in long-term liabilities for the year ended September 30, 2017 and 2016 are as follows:

	Balance as of 9/30/16	Adjustments	Additions	Payments	Balance as of 9/30/17	Amounts due within one year
Accrued Vacation	\$ 2,112,257	-	1,526,161	(1,440,788)	2,197,630	1,499,022
Accrued Sick Leave	2,281,871	-	953,941	(1,510,998)	1,724,814	1,160,060
Bus Purchase Note Payable	12,525,000	-	-	(1,975,000)	10,550,000	2,020,000
Commuter Rail Car and Stations Notes Payable	6,504,050	-	-	(2,846,072)	3,657,978	2,917,311
Other rent liability	598,875	-	-	(52,283)	546,592	-
Other post employment benefits	682,000	-	296,321	-	978,321	-
Pension Liability	41,415,497	-	9,438,924	(5,114,730)	45,739,691	-
Total	<u>\$ 66,119,550</u>	<u>-</u>	<u>12,215,347</u>	<u>(12,939,871)</u>	<u>65,395,026</u>	<u>7,596,393</u>

	Balance as of 9/30/15	Adjustments	Additions	Payments	Balance as of 9/30/16	Amounts due within one year
Accrued vacation	\$ 1,980,247	-	233,130	(101,120)	2,112,257	152,829
Accrued sick leave	4,019,617	(1,306,840)	449,851	(880,757)	2,281,871	473,668
Bus Purchase Note Payable	14,460,000	-	-	(1,935,000)	12,525,000	1,975,000
Commuter Rail Car and Stations Notes Payable	9,280,618	-	-	(2,776,568)	6,504,050	2,846,070
Other rent liability	570,018	-	28,857	-	598,875	-
Other post employment benefits	297,000	-	385,000	-	682,000	-
Pension liability	38,473,471	-	8,725,708	(5,783,682)	41,415,497	-
Total	<u>\$ 69,080,971</u>	<u>(1,306,840)</u>	<u>9,822,546</u>	<u>(11,477,127)</u>	<u>66,119,550</u>	<u>5,447,567</u>

## 8 – COMMITMENTS

The Authority has a capital spending plan for projects for upcoming and future years. The Authority's 2017 and 2016 capital budget has appropriations of approximately \$158.5 million and \$158.9 million, respectively. The Authority's contractual commitments related to its capital improvement plan are approximately \$60 million and \$73.6 million as of September 30, 2017 and 2016, respectively.

The Authority has executed contracts with various goods and services providers totaling approximately \$341.7 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.

**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, 2017 and 2016 was \$22.8 million and \$26.2 million, respectively. The amount 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.

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 are outlined below.

	2017	2016
Build Central Texas	\$ 267,167	\$ 530,796
Suburban Communities	858,820	1,235,219
Total Commitment	<u>\$ 1,125,987</u>	<u>\$ 1,766,015</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.

A total of 198 Ultra Low Sulfur Diesel futures contracts at 42,000 gallons per contract and paid approximately \$5,600 for the execution of the trades. The index used for net settlement is NYHRBR and such contracts were entered into July 27, 2005 through June 2017. This program began in December 2008. As of September 30, 2017, the Authority was hedged 84%, 70%, and 7% for fiscal years 2018, 2019, and 2020, respectively based on projected fuel consumption.

Market values of the outstanding diesel fuel futures contracts are calculated by the counterparty, R. J. O'Brien Brokerage Services who is a nationally recognized commodity trader. As of September 30, 2017 and 2016, the outstanding contracts fair value is approximately \$.024 million and \$1 million respectively and related unrealized positive and negative value of \$ 0.57 million (deferred inflow) and \$1.9 million (deferred outflow), respectively. The amount has been reported on the Statements of Position as a deferred inflows and outflow of resources fuel hedge. Diesel fuel futures contracts, which settled during fiscal year 2017 and 2016 increased diesel fuel cost by \$1.9 million and \$5.1 million, respectively. The amount has

## **8 – COMMITMENTS, continued**

been included as part of current operating cost in the Statements of Revenues, Expenses and Changes in Net Position.

**Custodial Credit Risk** – The Authority had deposits of \$1.7 million and \$3.9 million with its Broker as required by its Fuel Risk Management Program as of September 30, 2017 and 2016, respectively. At September 30, 2017 and 2016, respectively, the Authority has recorded approximately \$1.2 million and \$2.1 million as current assets and the remaining balance in deferred outflows/inflows for accumulated changes in fair value of outstanding fuel contracts.

**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.

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 \$31.4 million and \$29.5 million as September 30, 2017 and 2016, respectively. The assumptions used for the related liability is disclosed in note 10.

## **9 – 401(k) PLANS**

The Authority and StarTran have a pension benefits plan for its full time employees and substantially all administrative employees, respectively, under a 401(k) defined contribution plan. 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 and StarTran ended the employer contribution to the plan for the Authority and StarTran administrative employees. 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 and StarTran’s designated Plan Administrator administers the plan. The Authority and StarTran maintain the authority to amend the plan. The StarTran administrative plan dissolved in 2013 since all passenger services have been contracted out to private companies. The StarTran Bargaining Unit defined contribution plan was dissolved in 2014.

Contributions from participating employees for the Authority totaled \$1,377,151 for the year ending September 30, 2017 and \$1,579,944 for the year ending September 30, 2016.

**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, 2016 and 2015.

	2016	2015
Retirees and beneficiaries currently receiving benefits	97	91
Terminated plan members entitled to but not yet receiving benefits	218	203
Active plan members	294	249
	<u>609</u>	<u>543</u>

The most recently available financial statements of the Plan are for the years ended December 31, 2016 and 2015. 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.

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

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 equal 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.

***Contributions***

Contribution requirements of the active plan members are established and may be amended by the Capital Metro 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, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

***Actuarial Assumptions***

The actuarial assumptions that determined the total pension liability as of December 31, 2016 and 2015 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.

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

The total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Inflation	3.0%
Salary Increases	3.5
Investment rate of return	6.75% including inflation, net of pension plan investment expenses
Retirement age	Age 55 through 65 is 0% to 50%; 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 the RP-2000 static, non-generational Mortality Table for males or females, as appropriate, projected with Scale AA, to between 7 and 15 years beyond the year of the obligation, with combined rates for annuitants and non-annuitants.

*Disabled retirees* – none assumed.

***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, 2016 and 2015 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
Domestic equities	44.4%	4.5%
Domestic fixed income	21.8%	0.7%
International equities	16.1%	4.5%
Alternative investments	13.3%	2.9%
Cash equivalents	4.4%	0.0%
	100.0%	

***Discount Rate***

The discount rate used to measure the total pension liability as of December 31, 2016 and December 31, 2015 was 5.94% and 5.75%, respectively. 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 2050 as of December 31, 2016 and 2015, respectively. Therefore, a blended rate of 5.94% has been used and is a product of the application of long-term expected rate of return on pension plan investments of 6.75% to all periods of projected benefit payments to determine the total pension liability until 2050 and, subsequent to 2050, the 20 year municipal bond rate of 3.71% and 3.15% was used as of December 31, 2016 and 2015, respectively.



**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

***Changes in Net Pension Liability (Asset)***

	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 2,087,251	\$ 2,225,673
Interest	1,863,897	1,573,679
Changes in benefit terms	2,054,914	-
Differences between expected and actual experience	(86,781)	1,984,816
Changes of assumptions	209,630	(1,415,858)
Benefit payments, included refunds of member contributions	(892,937)	(833,716)
<b>Net change in total pension liability</b>	<u>\$ 5,235,974</u>	<u>\$ 3,534,594</u>
<b>Total pension liability - beginning</b>	<u>32,891,828</u>	<u>29,357,234</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 38,127,802</u></u>	<u><u>\$ 32,891,828</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 1,974,973	\$ 1,882,377
Net investment income/(loss)	1,795,013	(11,187)
Benefit payments, including refunds of member contributions	(892,937)	(833,716)
Administrative expense	(58,222)	(63,645)
<b>Net change in plan fiduciary net position</b>	<u>2,818,827</u>	<u>973,829</u>
<b>Plan fiduciary net position - beginning</b>	<u>20,993,038</u>	<u>20,019,209</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 23,811,865</u></u>	<u><u>\$ 20,993,038</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 14,315,937</u></u>	<u><u>\$ 11,898,790</u></u>

***Sensitivity Analysis***

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 5.94% and 5.75% as of December 31, 2016 and 2015, respectively, as well as what Capital Metro's net pension 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 rate:

	1% Decrease	Current Discount Rate	Long-Term 1% Increase
<u>December 31, 2016</u>	<u>4.94%</u>	<u>5.94%</u>	<u>6.94%</u>
Net pension liability (asset)	\$ 20,294,603	\$ 14,315,937	\$ 9,419,668
<u>December 31, 2015</u>	<u>4.75%</u>	<u>5.75%</u>	<u>6.75%</u>
Net pension liability (asset)	\$ 16,792,454	\$ 11,898,790	\$ 7,863,113

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

***Pension Expense***

Capital Metro recognized the following pension related expense:

<u>Pension Expense/(Income)</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Service cost	\$ 2,087,251	\$ 2,225,673
Interest on total pension liability	1,863,897	1,573,679
Changes of benefit terms	2,054,914	-
Administrative expenses	58,222	38,209
Expected investment return net of investment expenses	(1,501,571)	(1,436,339)
Recognition of Deferred Outflows/(Inflows)		
Experience	389,192	402,773
Change in assumptions	635,139	602,333
Investment gains or losses	287,305	345,993
<b>Pension expense</b>	<b>\$ 5,874,349</b>	<b>\$ 3,752,321</b>

***Deferred Inflows and Outflows of Resources***

As of December 31, 2016 and 2015, the deferred inflows and outflows of resources are as follows:

<u>Deferred Outflows of Resources</u>	<u>2016</u>	<u>2015</u>
Differences between expected and actual experience	\$ 1,061,646	\$ 1,523,231
Changes of assumptions	2,449,933	3,204,711
Net difference between projected and actual earnings	981,494	1,327,487
Contributions made subsequent to measurement date	1,667,107	1,472,835
	<u>\$ 6,160,180</u>	<u>\$ 7,528,264</u>

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ (451,454)	\$ (202,312)
Changes of assumptions	(757,319)	(1,086,589)
Net difference between projected and actual earnings	-	-
Contributions made subsequent to measurement date	-	-
	<u>\$ (1,208,773)</u>	<u>\$ (1,288,901)</u>

Capital Metro reported \$1,667,107 and \$1,472,835 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2017 through September 30, 2017 and January 1, 2016 through September 30, 2016, respectively. 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 assumption will be recognized over the average service life of 5.39 years for 2017, and 4.3 years for 2016.

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

The remaining balance to be recognized in future years (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

Year ended December 31,	
2017	\$ 1,311,636
2018	1,311,636
2019	673,771
2020	(39,463)
Thereafter	26,719
	<u>\$ 3,284,299</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, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Retirees and beneficiaries currently receiving benefits	467	455
Terminated plan members entitled to but not yet receiving benefits	341	338
Active plan members	216	243
	<u>1,024</u>	<u>1,036</u>

The most recently available financial statements of the Plan are for the year ended December 31, 2016 and 2015. 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, 2016 and 2015.

- 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 2016 and 2015 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 22 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, 2016 and 2015, 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, 2016 and 2015 were based on the results of an actuarial experience study for the period January 1, 2003 - December 31, 2007, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	NA
Investment rate of return	7.5% at December 31, 2016 and 2015, respectively including inflation, net of pension plan investment expenses

Mortality rates were based on the following:

*Service retirees, beneficiaries and non-depositing members* – Mortality rates for non-disabled lives were based on the RP-2000 Blue Collar Mortality Table for males or females, as appropriate, projected with Scale AA to 2010.

*Disabled retirees* – RP-2000 Disabled Mortality Table.

***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, 2016 and 2015 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Rate of Return
U.S. Large Cap Equity	37.00%	9.04%
U.S. Small Cap Equity	10.00%	10.40%
REITs	10.00%	8.00%
Non U.S. Develop Equity	15.00%	8.75%
Fixed Income	26.00%	4.48%
Cash	2.00%	3.38%
	100.00%	

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

*Discount rate* – The discount rate used to measure the total pension liability as of December 31, 2016 and 2015 was 7.30 and 7.50%, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made equal to the actuarially determined contribution, and that no employee contributions will be made to the Plan. 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. 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.

***Sensitivity Analysis***

The following presents the net pension liability of Capital Metro, calculated using the discount rate of 7.30% and 7.5% for December 31, 2016 and 2015, respectively, as well as what Capital Metro's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the rate used.

	1% Decrease	Current Discount Rate	Long-Term 1% Increase
December 31, 2016	6.30%	7.30%	8.30%
Net pension liability (asset)	\$ 36,539,024	\$ 31,423,754	\$ 27,008,197
December 31, 2015	6.50%	7.50%	8.50%
Net pension liability (asset)	\$ 33,799,873	\$ 29,516,707	\$ 25,851,656

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

***Changes in Net Pension Liability (Asset)***

	<b>2016</b>	<b>2015</b>
<b>Total pension liability:</b>		
Service cost	\$ 303,363	\$ 486,248
Interest on total pension liability	4,206,646	4,226,699
Effect of assumption changes or inputs	1,878,042	(730,963)
Change in benefit term	934,709	-
Benefit payments/refunds of contributions	(4,221,793)	(4,959,966)
Net change in total pension liability	3,100,967	(977,982)
Total pension liability at beginning of year	57,857,983	58,835,965
Total pension liability at end of year (a)	60,958,950	57,857,983
<b>Fiduciary net position:</b>		
Employer contributions	4,005,413	4,010,205
Member contributions	5,417	5,760
Investment income net of investment expense	1,621,196	(98,010)
Benefit payments/refunds of contributions	(4,221,793)	(4,959,966)
Administrative expenses	(216,313)	(225,290)
Net change in fiduciary net position	1,193,920	(1,267,301)
Fiduciary net position at beginning of year	28,341,276	29,608,577
Fiduciary net position at end of year (b)	29,535,196	28,341,276
<b>Net pension liability/(asset) at end of year = (a) - (b)</b>	<b>\$ 31,423,754</b>	<b>\$ 29,516,707</b>

***Pension Expense***

Capital Metro recognized the following pension related expense:

<b>Pension Expense/(Income)</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Service cost	\$ 303,363	\$ 486,248
Interest on total pension liability	4,206,646	4,226,699
Member contributions	(5,417)	(5,760)
Administrative expenses	216,313	225,290
Expected investment return net of investment expenses	(2,109,863)	(2,176,795)
Recognition of deferred inflows/outflows of resources		
Change in assumptions	934,709	
Recognition of demographic differences—current year	1,878,042	(730,963)
Recognition of investment gains or losses—current year	97,733	454,961
Recognition of investment gains or losses—prior years	517,231	62,270
<b>Pension expense</b>	<b>\$ 6,038,757</b>	<b>\$ 2,541,950</b>

**10 – DEFINED BENEFIT RETIREMENT PLANS, continued**

***Deferred Inflows and Outflows of Resources***

As of December 31, 2016 and 2015, the deferred inflows and outflows of resources are as follows:

<u>Deferred Outflows of Resources</u>	<u>2016</u>	<u>2015</u>
Net difference between projected and actual earnings	\$ 1,880,356	2,006,653
Contributions made subsequent to measurement date	2,999,997	3,005,328
	<u>\$ 4,880,353</u>	<u>5,011,981</u>

Capital Metro reported \$2,999,997 and \$3,005,328 as deferred outflow of resources resulting from contributions made subsequent to the measurement date and which are eligible employer contributions made from January 1, 2017 through September 30, 2017 and January 1, 2016 through September 30, 2016, respectively. 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 (and included in the thereafter category), if any, will be impacted by additional future deferred inflows and outflows of resources.

Year ended December 31,	
2017	\$ 614,964
2018	614,964
2019	552,694
2020	97,734
Thereafter	-
	<u>\$ 1,880,356</u>



## 11 – CAPITAL ASSETS

Changes in capital assets for the year ended September 30, 2017 were:

	September 30, 2016	Additions	Retirements	Completed Projects	September 30, 2017
Capital assets not being depreciated					
Land and Improvement	\$ 56,637,590	\$ -	\$ -	\$ 2,529,276	\$ 59,166,866
Projects in process	22,204,736	98,456,285	-	(61,413,622)	59,247,399
Total capital assets not being depreciated	78,842,326	98,456,285	-	(58,884,346)	118,414,265
Depreciable Capital Assets:					
Building and improvements	84,264,315	-	(140,452)	568,768	84,692,631
Railroad	135,922,532	-	-	3,721,277	139,643,809
Buses and equipment	270,202,037	-	(33,497,074)	54,218,029	290,922,992
Passenger parking & stations	86,785,928	-	-	376,272	87,162,200
Total other capital assets	577,174,812	-	(33,637,526)	58,884,346	602,421,632
Less accumulated depreciation:					
Building and improvements	44,721,335	2,212,977	(108,037)	-	46,826,275
Railroad	98,233,020	9,106,474	-	-	107,339,494
Buses and equipment	158,391,786	20,214,654	(33,490,353)	-	145,116,087
Passenger parking & stations	43,312,833	6,556,544	-	-	49,869,377
Total accumulated depreciation	344,658,974	38,090,649	(33,598,390)	-	349,151,233
Depreciable capital assets, nets	232,515,838	(38,090,649)	(39,136)	58,884,346	253,270,399
Total Capital Assets	\$ 311,358,164	\$ 60,365,636	\$ (39,136)	\$ -	\$ 371,684,664

Changes in capital assets for the year ended September 30, 2016 were:

	September 30, 2015	Additions	Retirements	Completed Projects	September 30, 2016
Capital assets not being depreciated					
Land and Improvement	\$ 53,434,238	\$ -	\$ (1,024,791)	\$ 4,228,143	\$ 56,637,590
Projects in process	14,746,255	52,719,136	-	(45,260,655)	22,204,736
Total capital assets not being depreciated	68,180,493	52,719,136	(1,024,791)	(41,032,512)	78,842,326
Depreciable Capital Assets:					
Building and improvements	86,235,633	-	(2,516,701)	545,383	84,264,315
Railroad	123,424,501	-	-	12,498,031	135,922,532
Buses and equipment	261,467,893	16,845	(18,876,549)	27,593,848	270,202,037
Passenger parking & stations	86,390,678	-	-	395,250	86,785,928
Total other capital assets	557,518,705	16,845	(21,393,250)	41,032,512	577,174,812
Less accumulated depreciation:					
Building and improvements	43,285,522	2,345,521	(909,708)	-	44,721,335
Railroad	89,641,759	8,591,261	-	-	98,233,020
Buses and equipment	160,628,154	16,861,597	(19,097,965)	-	158,391,786
Passenger parking & stations	36,604,533	6,708,300	-	-	43,312,833
Total accumulated depreciation	330,159,968	34,506,679	(20,007,673)	-	344,658,974
Depreciable capital assets, nets	227,358,737	(34,489,834)	(1,385,577)	41,032,512	232,515,838
Total Capital Assets	\$ 295,539,230	\$ 18,229,302	\$ (2,410,368)	\$ -	\$ 311,358,164

Depreciation expense was \$38 million for the year ended September 30, 2017 and \$34.5 million for the year ended September 30, 2016.

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.

## 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, cannot be determined. Potential losses on these claims, if any, are not 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, 2017 for workers’ compensation are \$350,000 per occurrence. At September 30, 2017, there are no claims exceeding Capital Metro’s retention limits.

<b>Workers’ Compensation Claims</b>		
	<b>2017</b>	<b>2016</b>
Beginning of year liability	\$ 210,000	\$ 740,000
Current year claims and/or changes in estimates	(112,262)	(147,476)
Claim payments	48,262	(382,524)
End of year current year liability	<u>\$ 146,000</u>	<u>\$ 210,000</u>

The end of year liability includes claims incurred and reported, as well as estimated claims incurred but not reported.

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.

<b>Health and Dental Self-Insurance</b>		
	<b>2017</b>	<b>2016</b>
Beginning of year liability	\$ 170,089	\$ 170,089
Current year claims and/or changes in estimates	6,232,306	4,431,932
Claim payments	(6,183,330)	(4,431,932)
End of year current year liability	<u>\$ 219,065</u>	<u>\$ 170,089</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, 2017 and 2016.

**14 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**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

Retirees must elect within six months of becoming Medicare eligible. The OPEB Plan does not issue a standalone financial report.

The following is the participant summary as of October 1, 2016 (the most recent actuarial valuation date):

Participants:

Actives—fully eligible	6
Actives—not eligible	297
Retires	21
Total	324

**Funding Policy**

The contribution requirements of plan members and the Authority are established 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.

Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost is calculated based on the annual required contributions of the employer (ARC), an amount actuarially determined in accordance with GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a 30 year. The following table shows the components of the Authority's annual OPEB cost, the amount actually contributed to the plan and changes in the net OPEB obligation is as follows:

	<u>September 30, 2017</u>	<u>September 30, 2016</u>
<b>Net OPEB Obligation, beginning</b>	\$ 682,000	\$ 297,000
ARC	383,000	384,000
Interest	24,800	12,000
Ajustment to ARC	(62,000)	(11,000)
Annual OPEB Cost	345,800	385,000
Employer contributions—pay as-you-go	(49,479)	-
Increase	296,321	385,000
<b>Net OPEB Obligation, ending</b>	\$ 978,321	\$ 682,000

**14 – OTHER POST EMPLOYMENT BENEFITS (OPEB), continued**

The Authority's annual OPEB cost and the percentage cost contributed to the plan is as follows:

Year Ended September 30	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)	Contributed Percent of Annual OPEB Cost
2015	\$ 361,000	\$ 64,000	\$ 297,000	17.70%
2016	385,000	-	682,000	16%
2017	345,800	49,479	978,321	14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future. In accordance with GASB 45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, the Authority will obtain new actuarial valuations for its OPEB plan every year.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefits costs between the Authority and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following table summarizes the actuarial methods and assumptions used in the most recent actuarial valuation for the Authority's OPEB plan.

**Actuarial Methods and Assumptions**

Actuarial Valuation Date	October 1, 2016
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage of Projected Payroll
Remaining Amortization Period	30 Years - Open
Salary Increase Assumption	3.50%
Discount Rate	4.00%
Healthcare cost trends	Constant
Per Capita Health Claim Cost	Based on subsidy amounts provided to retirees
Plan Participation Percentage	100%
Mortality	RP 2014 generational table using Scale MP-17
Termination age	Age 25 – 15%; Age 30 – 12%; Age 35 – 10%; Age 40 – 8%; Age 45-54 – 5%; Age 55 – 0%
Retirement age	Age 55-64 – 5%; Age 65 – 100%



2017 Comprehensive Annual Financial Report  
Required Supplementary Information

**Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of Startran, Inc.  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Year Ended December 31, 2014, 2015, and 2016**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability			
Service cost	\$ 303,363	486,248	391,902
Interest on total pension liability	4,206,646	4,226,699	4,221,102
Effect of assumption changes or inputs	1,878,042	(730,963)	-
Change in benefit term	934,709	-	302,377
Benefits payment/refunds of contributions	<u>(4,221,793)</u>	<u>(4,959,966)</u>	<u>(4,721,559)</u>
Net change in total pension liability	3,100,967	(977,982)	193,822
Total pension liability at beginning of year	<u>57,857,983</u>	<u>58,835,965</u>	<u>58,642,143</u>
Total pension liability at end of year (a)	<u>60,958,950</u>	<u>57,857,983</u>	<u>58,835,965</u>
Fiduciary net position:			
Employer contributions	4,005,413	4,010,205	3,915,395
Member contributions	5,417	5,760	6,322
Investment income net of investment expense	1,621,196	(98,010)	1,813,047
Benefit payments/refunds of contributions	(4,221,793)	(4,959,966)	(4,721,559)
Administrative expenses	<u>(216,313)</u>	<u>(225,290)</u>	<u>(259,705)</u>
Net change in fiduciary net position	1,193,920	(1,267,301)	753,500
Fiduciary net position at beginning of year	<u>28,341,276</u>	<u>29,608,577</u>	<u>28,855,077</u>
Fiduciary net position at end of year (b)	<u>29,535,196</u>	<u>28,341,276</u>	<u>29,608,577</u>
Net pension liability/(asset) at end of year = (a) - (b)	<u>\$ 31,423,754</u>	<u>29,516,707</u>	<u>29,227,388</u>
Fiduciary net position as a % of total pension liability	48.45%	48.98%	50.32%
Pensionable covered payroll *	\$ 9,807,345	10,882,123	12,270,378
Net pension liability as a % of covered payroll	320.41%	271.24%	238.19%

**Notes to Schedule:**

*Benefit Changes:* The Plan was amended since the last valuation to allow 15 former IUE participants to earn credit toward unreduced early retirement eligibility while working for a new contractor.

*Change in Assumptions:* The discount rate decreased from 7.5% to 7.3% to reflect the depletion of assets starting in 2054 as required by GASB Statement No. 67. Non-investment administrative expenses were decreased to \$200,000 to better reflect past experience and future expectations.

\*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 StraTran 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 Retirement Plan for Bargaining Units of StarTran, Inc.  
Schedule of Plan Contributions**

**Schedule of Employer Contributions**

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
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	2,750,231	-	-	*
2015	4,010,272	4,010,272	-	-	*
2016	4,005,412	4,005,412	-	-	*
2017	3,999,996	3,999,996	-	-	*

Methods and used assumptions to determine contribution rates:

Valuation Date January 1, 2017

Investment rate of return 7.5% including inflation, net of pension plan investment expenses

Inflation 3.00%

Discount Rate Blended rate of 7.30

20 Yr. Municipal Bond Rate 2.78%

Projected salary increases N/A

Administrative Expenses \$200,000 per annum

Decrement Timing Middle of year decrements

Withdrawal Rates Varies by age with age 20yr at 18.12% withdrawal rate and up to age 55yr+ with a 0% 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 5% retirement at age 55 and with 100% of retirement at age 65

Mortality

Healthy RP-2000 Blue Collar Mortality Table, for both males and females, projected with Scale AA to 2010

Disabled RP-2000 Disabled Retiree Mortality Table for both males and females, set forward one year.

\* 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 StraTran 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 Retirement Plan for Administrative Employees**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Year Ended December 31, 2014, 2015, and 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 2,087,251	\$ 2,225,673	\$ 1,453,304
Interest on total pension liability	1,863,897	1,573,679	1,538,740
Changes of benefit terms	2,054,914	-	-
Difference between Expected and Actual experience	(86,781)	1,984,816	(319,936)
Change in assumptions	209,630	(1,415,858)	5,067,915
Benefits payment/refunds of contributions	(892,937)	(833,716)	(717,439)
Net change in total pension liability	5,235,974	3,534,594	7,022,584
Total pension liability at beginning of year	32,891,828	29,357,234	22,334,650
Total pension liability at end of year (a)	38,127,802	32,891,828	29,357,234
Fiduciary net position:			
Employer contributions	1,974,973	1,882,377	1,600,160
Investment income net of investment expense	1,795,013	(11,187)	1,017,006
Benefit payments/refunds of contributions	(892,937)	(833,716)	(717,439)
Administrative expenses	(58,222)	(63,645)	(38,209)
Net change in fiduciary net position	2,818,827	973,829	1,861,518
Fiduciary net position at beginning of year	20,993,038	20,019,209	18,157,691
Fiduciary net position at end of year (b)	23,811,865	20,993,038	20,019,209
Net pension liability/(asset) at end of year = (a) - (b)	\$ 14,315,937	\$ 11,898,790	\$ 9,338,025
Fiduciary net position as a % of total pension liability	62.45%	63.82%	68.19%
Pensionable covered payroll	\$ 22,195,764	\$ 18,663,437	\$ 16,183,596
Net pension liability as a % of covered payroll	64.50%	63.75%	57.70%

**Note to Schedule:**

No significant methods or assumptions to disclose.

See accompanying independent auditor's report



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

**Schedule of Employer Contributions**

<b>Year Ending September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
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	1,863,116	1,863,116	-	17,038,110	10.9%
2016	1,971,655	1,971,655	-	19,773,702	10.0%
2017	2,166,745	2,166,745	-	22,863,135	9.5%

**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 64 is 5% and age 65 is 100%
Mortality rates	RP-2000 Static, non-generational Mortality Table

See accompanying independent auditor's report

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## 2017 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 69-71)

**Revenue Capacity**

These schedules contain information to help the reader assess Capital Metro's most significant local revenue source. (Pages 72-73)

**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 74-75)

**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 76-77)

**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 78-84)

**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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Net Position</b>										
Total assets	\$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	\$408,454,908
Deferred Outflow	11,040,533	14,502,678	13,394,914	-	-	-	-	-	-	-
Total liabilities	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	77,283,013
Unearned grant revenue	18,828,476	41,375,065	45,450,146	-	-	-	-	-	-	-
Deferred Inflow	1,765,739	1,288,901	261,124	-	-	-	-	-	-	-
Net position	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	286,857,396
Invested in capital assets										
Restricted for construction	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	44,314,499
Unrestricted	\$500,768,669	\$454,549,432	\$416,653,688	\$408,592,838	\$376,794,307	\$332,024,464	\$318,327,525	\$322,523,758	\$332,383,590	\$331,171,895

Unaudited - see accompanying auditors' report

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
CHANGES IN NET POSITION  
LAST TEN YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Operating Revenue</b>										
Transportation fares	\$ 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	5,983,916
Contract revenue and fares	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	7,114,481
Rail - freight	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	7,473,899
Commuter rail	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	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	20,572,296
<b>Operating Expenses</b>										
Labor/fringe benefits (1)	\$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	\$81,953,326
Services	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	27,347,270
Materials	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	28,028,946
Utilities	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	1,740,523
Insurance	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	1,235,580
Taxes	1,056,256	1,045,710	1,088,166	983,295	983,894	949,247	990,353	977,203	992,263	1,016,689
Purchased transportation (1)	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	19,477,996
Other expenses	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	2,781,512
Interest expense	369,935	480,141	589,510	697,383	800,835	750,835	975,403	1,117,370	1,218,652	1,689,109
Depreciation	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	25,789,916
Total operating expenses	\$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	\$191,060,867
Operating Loss	(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)	(170,488,571)
<b>Non-Operating Revenue (Expenses)</b>										
Sales and use tax	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	154,156,602
Investment income	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616	29,971	786,969	2,952,472
Other income, net	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	776,242
Other federal grants	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	12,341,231
Capital Contribution - Other Jurisdictions	(57,160)									
Build Central Texas Program	(2,927,158)	(180,544)	(563,293)	(756,097)	(1,808,588)	(1,216,386)	(1,090,985)	(2,195,584)	(2,004,404)	(4,342,899)
Mobility interlocal agreements	(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)	(16,037,838)
Total non-operating revenue (expenses)	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	149,845,810
Income (loss) before contributions	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)	(20,642,761)
Capital contributions	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	11,851,744
Change in net position	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	(8,791,017)

(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 auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY**  
**REVENUE BY SOURCE**  
**LAST TEN YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenue</b>										
Operating Revenue	\$ 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	\$ 5,983,916
Transportation fares	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	7,114,481
Contract revenue and fares	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	7,473,899
Rail freight revenue	2,541,925	2,656,212	3,301,561	3,778,188	3,358,278	2,265,523	954,666	293,038	-	-
Commuter rail revenue	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	20,572,296
<b>Total Operating Revenue</b>										
Non-Operating Revenue	\$ 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	\$ 154,156,602
Sales tax	1,395,002	1,386,061	54,646	92,949	99,480	86,006	24,616	29,971	786,969	2,952,472
Investment income	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	24,192,975
Grant income	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	776,242
Other Income	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	182,078,291
<b>Total Non-Operating Revenue</b>										
<b>Total revenue</b>	\$ 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	\$ 202,650,587

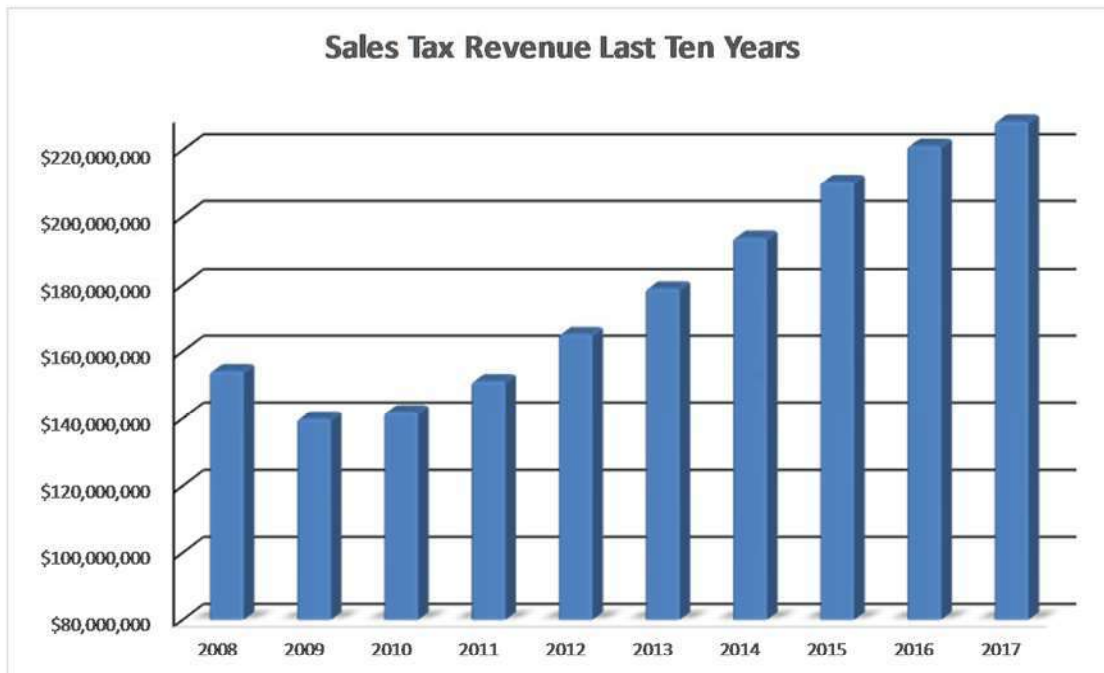
Unaudited - see accompanying auditors' report.

**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
2007	\$150,295,291		
2008	\$154,156,602	2.6%	2.6%
2009	\$139,895,675	-6.9%	-9.3%
2010	\$141,867,771	-5.6%	1.4%
2011	\$151,156,042	0.6%	6.5%
2012	\$165,248,523	9.9%	9.3%
2013	\$179,022,794	19.1%	8.3%
2014	\$193,818,456	29.0%	8.3%
2015	\$210,413,739	40.0%	8.6%
2016	\$221,298,639	47.2%	5.2%
2017	\$228,545,196	52.1%	3.3%

**Notes:**

- (1) Sales tax revenue accounts for 71 % of revenue in FY 2017
- (2) Sales tax rate 1% since 1995
- (3) Base year for 2008 through 2017 is 2007



Unaudited - see accompanying auditors' report.



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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Austin	\$ 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	147,242,737
Leander	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	1,617,360
Manor	1,069,277	998,823	818,330	716,592	526,223	431,028	381,878	333,657	354,343	393,679
Lago Vista	444,480	413,984	371,054	364,704	317,522	286,891	279,397	274,804	276,207	291,604
Jonestown	124,228	115,269	101,117	102,155	91,234	102,180	108,337	108,084	106,490	106,772
Volente	76,700	62,280	46,538	46,767	62,989	45,214	41,188	36,376	30,888	39,441
Point Venture	58,503	42,811	37,414	27,500	25,538	23,851	30,068	23,964	24,850	32,201
Unincorporated Areas	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	4,432,808
<b>Total</b>	<b>\$ 228,545,196</b>	<b>\$ 221,298,639</b>	<b>210,413,739</b>	<b>193,818,456</b>	<b>179,022,794</b>	<b>165,248,523</b>	<b>151,156,042</b>	<b>141,867,771</b>	<b>139,895,675</b>	<b>154,156,602</b>

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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Note payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,484,164	\$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	30,267,746
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	\$32,751,910
Per capita income (MSA)	(1)	\$55,065	51,014	49,001	46,241	45,943	42,948	40,009	38,215	39,877
Total debt/per capita income	(1)	\$345.57	\$465.37	\$578.44	\$710.24	\$809.92	\$464.94	\$650.24	\$770.56	\$821.32

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

(1) Per capita statistics not available

(2) Source: Bureau of Economic Analysis for all years except 2017 which will not be available until first quarter 2018.  
 Unaudited - see accompanying auditors' report

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

	<b>Sales Tax Revenue</b>	<b>Operating Revenue</b>	<b>Operating Grants</b>	<b>Operating Net of Depreciation</b>	<b>Operating Expenses Net of Depreciation</b>	<b>Net Available Revenue</b>	<b>Principal Debt Payment</b>	<b>Coverage Ratio</b>
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	
2008	\$ 154,156,602	\$ 20,572,296	\$ 12,341,231	\$ (165,270,951)	\$ 21,799,178	\$ 3,183,158	6.85	

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

Unaudited - see accompanying auditors' 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)
2007	732,381	1,577,856	62,125,919	37,978	3.6
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

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

(1) Source: City of Austin Comprehensive Annual Financial Report

(2) Source: U.S. Bureau of Economic Analysis

(3) Source: U.S. Bureau of Labor Statistics

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY  
PRINCIPAL EMPLOYERS**

		Fiscal Year Ended September 30					
		2016		2007			
10 Largest Employers	Industry	Percent of		Rank	Employees (1)	Percent of MSA Total (2)	
		Employees (1)	MSA Total (2)				Rank
State Government (3)	Government	1	38,709	3.60%	1	37,349	4.84%
The University of Texas at Austin	Education	2	23,665	2.20%	2	23,294	3.02%
City of Austin	Government	4	13,371	1.24%	4	11,795	1.53%
Dell Computer Corporation	Computers	3	13,000	1.21%	3	17,000	2.20%
Federal Government	Government	5	12,800	1.19%	5	10,700	1.39%
HEB Grocery	Grocery retail/distribution	7	12,198	1.14%	7	7,095	0.92%
Austin Independent School District	Education	6	11,568	1.08%	5	11,423	1.48%
Seton Healthcare Network	Healthcare	8	10,270	0.96%	8	6,743	0.87%
St. David's Healthcare Partnership	Healthcare	9	8,598	0.80%			
Samsung Austin Semiconductor	Manufacturer	10	6,074	0.57%			
Walmart	Retail						
IBM Corporation	Computers						
			150,253	13.99%		138,199	17.90%

(1) Source: City of Austin Comprehensive Annual Financial Report

(2) Total refers to a Metropolitan Statistical Area (MSA) employed work force of 1,074,349 for 2016 and 772,100 for 2007. Source Texas Workforce Commission

(3) Texas State Auditor's Office: Regular and Part time State Employees in Bastrop, Caldwell, Hays, Travis and Williamson Counties

Unaudited - see accompanying auditor's report

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY**  
**EXPENSES BY OBJECT CLASS**  
**LAST TEN YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Operating Expenses</b>										
Labor/fringe benefits	\$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	\$81,953,326
Services	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	27,347,270
Materials	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	28,028,946
Utilities	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	1,740,523
Insurance	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	1,235,580
Taxes	1,056,256	1,045,709	1,088,166	983,295	983,894	949,247	990,353	977,203	992,263	1,016,689
Purchased transportation	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	19,477,996
Other expenses	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	2,781,512
Interest expense	369,935	480,142	589,510	697,383	800,365	750,835	975,403	1,117,370	1,218,652	1,689,109
Depreciation	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	25,789,916
Total operating expenses	\$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	\$191,060,867

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Non-Operating Expenses</b>										
Build Central Texas	\$2,927,158	\$180,544	\$563,293	\$756,097	\$1,808,588	\$1,216,386	\$1,090,985	\$2,195,584	\$2,004,404	\$4,342,899
Mobility programs	\$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	\$16,037,838
Capital contributions - other jurisdictions	\$57,160	-	-	-	-	-	-	-	-	-

Total non-operating expenses	\$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	\$20,380,737
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Unaudited - see accompanying auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Operating expenses</b>										
Demand response directly operated	-	-	-	-	-	23,163,134	24,581,584	25,631,904	24,154,990	24,064,069
Demand response-purchased transportation	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	3,383,802
Demand response 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	6,379,211	5,688,852	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	86,698,757
Motor bus-purchased transportation	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	28,920,679
Commuter rail-purchased transportation	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	1,554,255
Vanpool-purchased transportation	1,452,639	1,273,091	2,387,524	1,126,906	-	-	-	-	-	-
<b>Total operating expenses**</b>	<b>\$217,144,248</b>	<b>\$216,681,388</b>	<b>\$195,578,018</b>	<b>\$ 185,479,257</b>	<b>\$167,730,610</b>	<b>\$163,699,327</b>	<b>\$153,098,076</b>	<b>\$145,451,357</b>	<b>\$144,838,258</b>	<b>\$144,621,562</b>
<b>Actual vehicle revenue miles</b>										
Demand response directly operated	-	-	-	-	-	2,956,691	3,005,416	2,906,963	2,763,843	3,165,255
Demand response purch. trans.	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	1,248,059
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.	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	9,758,216
Motor bus purch. trans.	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	4,406,384
Commuter rail purch. Trans.	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	1,573,327
Vanpool-purchased transportation	3,747,150	3,109,432	2,241,335	870,967	-	-	-	-	-	-
<b>Total actual vehicle revenue miles</b>	<b>24,654,864</b>	<b>23,662,697</b>	<b>22,370,760</b>	<b>19,987,192</b>	<b>19,525,505</b>	<b>19,345,645</b>	<b>19,560,324</b>	<b>18,755,425</b>	<b>19,785,213</b>	<b>20,151,241</b>

\*\* 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**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Actual vehicle revenue hours</b>										
Demand response directly operated	-	-	-	-	-	204,046	241,291	230,871	213,251	228,371
Demand response purch. trans.	396,660	382,088	367,735	333,772	314,473	104,261	30,802	2,588	84,280	68,447
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.	40,364	40,182	40,132	39,564	36,780	4,192	-	-	-	-
Motor bus directly operated	-	-	-	-	-	632,112	693,325	679,591	759,352	794,938
Motor bus purch. trans.	1,230,076	1,167,955	1,162,528	1,065,774	1,020,612	383,347	397,959	363,219	343,283	317,017
Commuter rail purch. trans.	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	53,263
Vanpool-purchased transportation	101,553	86,694	67,713	29,007	-	-	-	-	-	-
<b>Total actual vehicle revenue hours</b>	<b>1,781,378</b>	<b>1,696,180</b>	<b>1,657,127</b>	<b>1,498,082</b>	<b>1,430,700</b>	<b>1,420,916</b>	<b>1,449,394</b>	<b>1,376,114</b>	<b>1,461,994</b>	<b>1,462,036</b>
<b>Annual Unlinked Trips</b>										
Demand response directly operated	-	-	-	-	-	382,786	464,902	471,760	445,060	476,000
Demand response purch. trans.	650,696	656,476	647,054	613,590	592,042	195,529	55,658	4,730	257,750	238,563
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.	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	24,698,018
Motor bus purch. trans.	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	11,641,072
Commuter rail purch. trans.	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	345,566
Vanpool-purchased transportation	459,555	432,558	344,695	168,300	-	-	-	-	-	-
<b>Total actual unlinked trips</b>	<b>29,759,398</b>	<b>29,724,895</b>	<b>34,700,250</b>	<b>34,201,334</b>	<b>36,433,120</b>	<b>35,412,652</b>	<b>34,740,271</b>	<b>35,859,512</b>	<b>39,438,569</b>	<b>37,399,219</b>

Unaudited - see accompanying auditors' report



**OPERATING STATISTICS LAST TEN YEARS, continued**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Annual Passenger Miles</b>										
Demand response directly operated	-	-	-	-	-	2,978,934	3,317,279	3,473,722	3,299,539	3,623,638
Demand response purch. trans.	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	1,525,931
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.	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	109,502,258
Motor bus purch. trans.	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	40,821,659
Commuter rail purch. trans.	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	6,156,462
Vanpool-purchased transportation	16,720,887	14,763,768	10,508,902	4,485,538	-	-	-	-	-	-
<b>Total actual vehicle revenue hours</b>	<b>158,835,494</b>	<b>154,257,629</b>	<b>183,570,715</b>	<b>167,947,274</b>	<b>168,339,585</b>	<b>158,955,957</b>	<b>150,991,459</b>	<b>154,721,259</b>	<b>183,890,056</b>	<b>161,629,948</b>

\*\*Total operating expenses does not include depreciation, rail freight expenses, or other nonallocated expenses for NTID.  
Source: NTID report for each year

Unaudited - see accompanying auditors' report.

**CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY**  
**CAPITAL ASSETS**  
**LAST TEN YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Capital assets not being depreciated:										
Land and Improvement	\$ 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	52,010,557
Construction in process - rail	-	-	-	-	-	-	-	-	-	35,873,022
Construction in process	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	63,807,436
Total capital assets not being depreciated	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	151,691,015
Other Capital Assets:										
Building and equipment	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	75,295,852
Railroad	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	61,159,760
Buses and equipment	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	173,525,049
Passenger parking & stations	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	42,534,777
Leashold improvements	-	-	-	-	82,198	82,198	82,198	82,198	82,198	82,198
Total other capital assets	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	352,597,636
Less: accumulated depreciation										
Building and equipment	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	22,664,934
Railroad	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	23,895,004
Buses and equipment	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	126,650,279
Passenger parking & stations	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	11,386,932
Leashold improvements	-	-	-	-	82,196	82,196	82,196	82,196	82,196	82,196
Total accumulated depreciation	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	184,679,345
Total capital assets, net	\$ 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	\$ 319,609,306

Unaudited - see accompanying auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Employee Count</b>										
Capital Metro - administration	463	428	443	447	407	384	357	336	362	315
Startran Inc. - administrative	-	-	-	-	-	-	78	80	85	102
Startran Inc. - bargaining unit	-	-	-	-	-	-	842	803	818	861
<b>Total Active Employees</b>	<b>463</b>	<b>428</b>	<b>443</b>	<b>447</b>	<b>407</b>	<b>384</b>	<b>1,277</b>	<b>1,219</b>	<b>1,265</b>	<b>1,278</b>

Source: Capital Metro Human Resource Department

Employee count includes 158 part-time Security officers in 2017

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)**

<b>YEAR</b>	<b>PERCENTAGE</b>	<b>YEAR</b>	<b>PERCENTAGE</b>
2010	10.01%	2014	10.60%
2011	11.67%	2015	9.92%
2012	13.08%	2016	10.69%
20103	11.20%	2017	10.60%

**FARE STRUCTURE**

	<b>Local</b>	<b>Commuter</b>	<b>Para Transit</b>
	Local, UT Shuttle, MetroRapid, Flyer	MetroRail, MetroExpress	MetroAccess 2
Single Ride	\$1.25	\$3.50	\$1.75
Single Ride, Reduced <sup>3</sup>	\$0.60	\$1.75	N/A
Children 5 & Under <sup>4</sup>	FREE	FREE	FREE
Uniformed Military	FREE	FREE	FREE
Capital Metro Employees	FREE	FREE	FREE
University of Texas Students <sup>5</sup>	FREE	FREE	FREE
<b>Passes and Tickets</b>			
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 <sup>6</sup>
Stored Value Pass	\$20.00 & \$40.00 Value Card. Single ride payment or for paying multiple single rides on Local 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	\$15.00 (Fare: 1 Ticket-One Way. Valid for MetroAccess services only.)		

<sup>1</sup> Capital Metro discontinued Premium fares at the January 2017 service change. MetroRapid and Flyer fares were moved to Local.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Children 6 years and under must be accompanied by an adult.

<sup>6</sup> This is a monthly pass, not a 31-Day rolling pass

*Note: 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.*

*Unaudited – see accompanying auditors' report.*