



M E M O R A N D U M

SUBJECT: Results of the Audit of WMATA's Financial Statements for FYs 2019 & 2018 (OIG-20-02)

DATE: October 18, 2019

FROM: OIG – Geoffrey A. Cherrington 

TO: GMGR – Paul J. Wiedefeld

The Compact requires an independent external auditor, as determined by the Inspector General, to annually audit WMATA's financial statements in accordance with applicable standards. In compliance with this requirement, OIG retained RSM US, LLP (RSM) to conduct this annual audit. Transmitted with this memorandum is RSM's report which contains the following:

- Opinion on the Financial Statements.
- Management's Discussion and Analysis (Unaudited).

FY 2019 Audit Results

Unmodified opinion.

RSM discussed the results of the audit with the Board Executive Committee on October 10, 2019.

Objective of the Financial Statement Audit

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

The audit included, among other things, obtaining an understanding of WMATA and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal controls over financial reporting. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies, or procedures may deteriorate.

OIG Oversight of RSM Performance

To fulfill our responsibilities under the contract for ensuring the quality of the audit work performed, we monitored RSM's audit of WMATA's FY2019 and FY2018 financial statements by:

- Reviewing RSM's audit approach and planning.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing WMATA's internal controls.
- Reviewing RSM's audit report to ensure compliance with applicable auditing standards.
- Coordinating the issuance of the audit report.
- Performing other procedures deemed necessary.

RSM is responsible for the attached auditors' report and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with applicable standards, was not intended to enable us to express, and accordingly we do not express an opinion on WMATA's financial statements.

However, our monitoring review disclosed no instances where RSM did not comply, in all material respects, with applicable auditing standards.

Attachment

Washington Metropolitan Area Transit Authority

Financial Report

For the Fiscal Years Ended
June 30, 2019 and 2018



**Washington Metropolitan Area Transit Authority
Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018**

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Independent Auditor's Report

To the Board of Directors
Washington Metropolitan Area Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Washington Metropolitan Area Transit Authority (the Authority), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the accompanying financial statements, certain fiscal year 2018 amounts reported in the financial statements were adjusted to reflect a change in accounting principle related to the recording of receivables on the statements of net position. Accordingly, the net position of the Authority has been restated as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in the net pension liability, the schedule of employer contributions – pension plans, the schedule of changes in total OPEB liability, the schedule of employer required contributions Teamsters Local 922 employers health trust, and the notes to the Required Supplementary Information 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.

RSM US LLP

Washington, District of Columbia.
October 18, 2019

Management's Discussion and Analysis June 30, 2019 and 2018 (Unaudited)

As management of the Washington Metropolitan Area Transit Authority (Authority or WMATA), we offer readers of the basic financial statements this overview and analysis of the financial activities of the Authority as of June 30, 2019 and 2018.

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any noteworthy changes in the Authority's financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements, which immediately follow this section.

Fiscal Year 2019 Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of the close of the fiscal year by \$8.1 billion (net position), of which, over \$11.3 billion, or 139.6%, represents the Authority's net investment in capital assets.
- The Authority incurred \$1.2 billion in capital improvement costs, which primarily included the rebuilding and repairing of track infrastructure, improving platform boarding, and escalator and bus replacements.
- In December 2018, the Authority issued Gross Revenue Transit Bonds Series 2018 totaling \$239.9 million primarily to finance capital costs.
- The Authority retired 182 units of the 5000-series railcars prior to the end of their useful life due to safety and reliability issues, which resulted in a net loss of \$81.2 million.
- In June 2019, the Authority transferred \$10.0 million to the WMATA Postemployment Benefits Trust to fund other postemployment benefits (OPEB), which will be accounted for in the June 30, 2019 actuarial valuation for the fiscal year ended June 30, 2020.

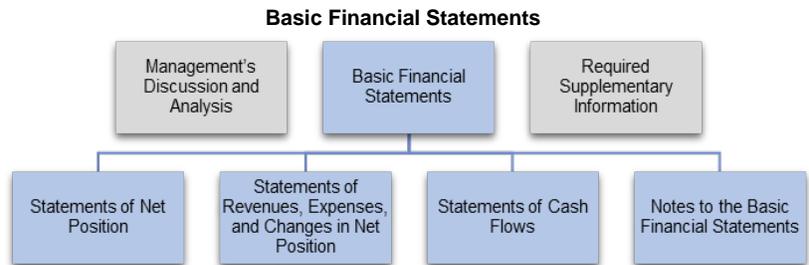
Fiscal Year 2018 Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources as of the close of the fiscal year by \$8.5 billion (net position), of which, over \$11.3 billion, or 133.5%, represents the Authority's net investment in capital assets.
- The Authority spent \$990.7 million in capital improvements. This included the upgrade of transit facilities and track; construction of radio and wireless communications infrastructure; and replacement of old buses, railcars, and paratransit vehicles.
- In July 2017, the Authority issued Gross Revenue Transit Bonds Series 2017A1 totaling \$148.5 million, and Series 2017A2 totaling \$48.9 million. The Series 2017A1 bonds were issued to refund a portion of the Series 2009A Gross Revenue Transit Bonds, while the Series 2017A2 bonds were issued as a crossover refunding of the Series 2009B bonds, which will not be legally defeased until July 1, 2019.
- In August 2017, the Authority issued Gross Revenue Transit Bond Series 2017B totaling \$496.5 million to finance capital costs.
- In April 2018, the Authority established the WMATA Postemployment Benefits Trust and transferred \$3.0 million to begin accumulating assets to fund OPEB, which was accounted for in the June 30, 2018 valuation for the fiscal year ended June 30, 2019.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the Authority's basic financial statements, which are comprised of the Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and the Notes to the Basic Financial Statements. This report also contains required supplementary information in addition to the basic financial statements.

Basic Financial Statements. The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP), as applicable to governmental entities using the accrual basis of accounting. Under this basis, revenues are recognized in the period in which they are earned, and expenses are recognized in the period in which they are incurred regardless of the timing of the related cash flows.



- The **Statements of Net Position** present financial information on all of the Authority's assets, liabilities, deferred outflows of resources and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial condition; however, the reader should also consider other indicators, such as the rate of growth of federal and jurisdictional subsidies, passenger fares, ridership levels, general economic conditions in the Washington, D.C. metropolitan area and the age and condition of capital assets used by the Authority.
- The **Statements of Revenues, Expenses, and Changes in Net Position** report all of the operating revenues, federal and jurisdictional subsidies, investments, capital contributions earned, and all operating and nonoperating expenses incurred during the reporting period. This statement presents how the Authority's net position changed from the prior fiscal year.
- The **Statements of Cash Flows** provide information on cash receipts and cash payments during the reporting period. This statement allows financial statement users to assess whether the Authority's current cash flows are sufficient to pay its obligations.
- The **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The basic financial statements can be found on pages 18-82 of this report.

Required Supplementary Information (RSI). In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the Authority's defined benefit pension plans and OPEB plans to its employees.

The RSI can be found on pages 83-100 of this report.

Financial Analysis

Condensed Statements of Net Position

The following provides an overview of the Authority's financial position as of June 30, 2019, 2018 and 2017:

Condensed Statements of Net Position June 30, 2019, 2018 and 2017 (in thousands)							
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
				Amount	%	Amount	%
Current assets	\$ 623,494	\$ 832,634	\$ 821,311	\$ (209,140)	(25.1)	\$ 11,323	1.4
Capital assets, net	12,648,294	12,486,960	12,386,019	161,334	1.3	100,941	0.8
Other noncurrent assets	-	57,329	305,596	(57,329)	(100.0)	(248,267)	(81.2)
Total assets	13,271,788	13,376,923	13,512,926	(105,135)	(0.8)	(136,003)	(1.0)
Deferred outflows of resources	408,379	428,555	686,125	(20,176)	(4.7)	(257,570)	(37.5)
Current liabilities	965,390	848,028	983,965	117,362	13.8	(135,937)	(13.8)
Noncurrent liabilities	4,202,080	4,113,964	4,018,923	88,116	2.1	95,041	2.4
Total liabilities	5,167,470	4,961,992	5,002,888	205,478	4.1	(40,896)	(0.8)
Deferred inflows of resources	409,359	358,118	474,243	51,241	14.3	(116,125)	(24.5)
Net position:							
Net investment in capital assets	11,315,608	11,327,174	11,610,645	(11,566)	(0.1)	(283,471)	(2.4)
Unrestricted	(3,212,270)	(2,841,806)	(2,888,725)	(370,464)	13.0	46,919	(1.6)
Total net position	\$ 8,103,338	\$ 8,485,368	\$ 8,721,920	\$ (382,030)	(4.5)	\$ (236,552)	(2.7)

Current Year

The Authority's total net position in the amount of \$8.1 billion at June 30, 2019 decreased by \$382.0 million, or 4.5%, from June 30, 2018. The significant changes are described below:

- Current assets decreased by \$209.1 million, or 25.1%, primarily due to the following:
 - Cash and cash equivalents and investments decreased by \$158.2 million and \$37.9 million, respectively, primarily due to the Authority paying off the remaining balance in the amount of \$170.0 million on the Series 2016A bonds and an early payment of \$9.1 million on the Series 2009A bonds.
 - Restricted cash and cash equivalents decreased \$26.5 million, or 20.7%, due to the use of Series 2017B bonds proceeds for construction costs, netted against an increase in proceeds from issuance of the Series 2018 bonds.
 - Restricted investments held with fiscal agent increased by \$56.2 million due to the reclassification from long-term to short-term in fiscal year 2019. These investments defeased the 2009B bonds on July 1, 2019.
 - Accounts receivable, net of allowance, and other assets decreased by \$30.1 million, or 15.2%, due primarily to reductions in federal grants receivables of \$59.8 million. This was offset by an increase in jurisdictional and other receivables of \$27.3 million.
 - Materials and supplies inventory decreased by \$12.5 million, or 10.2%, due to an increase in the reserve for obsolete inventory.

Financial Analysis (continued)

Condensed Statements of Net Position (continued)

Current Year (continued)

- Other noncurrent assets included restricted investments held with fiscal agent, which was reclassified from noncurrent assets to current asset to defease the 2009B bonds on July 1, 2019.
- Current liabilities increased by \$117.4 million, or 13.8%, primarily due to the following:
 - Accounts payable and accrued expenses increased by \$158.9 million, or 61.6% primarily due to an increase in accrued capital costs.
 - Due to other governments increased by \$75.2 million, or 80.3%, resulting primarily from \$86.0 million owed to the federal government due to the early retirement of the 5000-series railcars, partially offset by the timing of billings received in advance of eligible costs incurred for reimbursable projects.
 - Current portion of litigation and claims increased by \$10.3 million, or 21.2%, due to an increase in the expected loss rate for workers' compensation.
 - The increases above were offset by the following:
 - Current portion of bonds payable, decreased by \$103.6 million, or 57.8%, due to scheduled principal payments on the 2016A and 2009A bonds.
 - Accrued salaries and benefits decreased by \$41.0 million, or 46.5%, due to the payout in fiscal year 2019 of accrued wage and vacation leave from the settlement of Local 2 and Local 689 union contracts, and retroactive wage and salary increases for all other employee groups.

Prior Year

The Authority's total net position in the amount of \$8.5 billion at June 30, 2018 decreased by \$236.6 million, or 2.7%, from June 30, 2017. The significant changes are described below:

- Current assets increased by \$11.3 million, or 1.4%, primarily due to the following:
 - Cash and cash equivalents and investments increased by \$271.7 million and \$10.2 million, respectively, primarily from the collection of governmental and other accounts receivable.
 - Restricted cash and cash equivalents increased \$95.7 million, or 296.8%, due to the remaining proceeds from the Series 2017B bonds that were restricted for financing capital costs.
 - The increases above were offset by the following:
 - Accounts receivable, net of allowance, and other assets, decreased by \$277.0 million, or 58.3%, primarily due to reductions in federal grants receivables in the amount of \$85.0 million and the receipt of \$95.2 million against invoices for reimbursable projects billed in advance during fiscal year 2017. Also, a change in accounting principle was applied, which reduced jurisdictional receivables by \$95.4 million
 - Prefunded tax advantage lease defeasance contract, which decreased by the full balance of \$80.5 million as a result of terminating the remaining two leases during fiscal year 2018.

Financial Analysis (continued)

Condensed Statements of Net Position (continued)

Prior Year (continued)

- Other noncurrent assets decreased by \$248.3 million, or 81.2%. The decrease was due to the following:
 - Due from other governments decreased by \$234.0 million due to a change in accounting principle, which removed the balance of long-term jurisdictional receivables. Additional information on change in accounting principle can be found in Note 15 to the basic financial statements.
 - The termination of the two, remaining prefunded tax advantage leases caused a reduction of \$71.6 million.
 - The decreases above were offset by an increase of \$57.3 million in restricted investments held with fiscal agent to defease the 2009B bonds in fiscal year 2020.
- Deferred outflows of resources decreased by \$257.6 million, or 37.5%, primarily due to the net differences between the projected and actual investment earnings for the pension plans.
- Current liabilities decreased by \$135.9 million, or 13.8%, primarily due to the following:
 - Lines of credit debt decreased by \$150.0 million from fiscal year 2017 as the Authority paid off the outstanding balances during fiscal year 2018.
 - Due to other governments decreased by \$99.1 million, or 51.4%, due to the timing of billings received in advance of eligible costs incurred for reimbursable projects.
 - Tax advantage lease agreements decreased by the outstanding balance of \$80.5 million from the termination of the two remaining leases.
 - The decreases above were offset by the following:
 - The current portion of bonds payable increased \$120.4 million due to scheduled principal payments on the Series 2016A and 2009A bonds.
 - An increase in accrued salaries and benefits in the amount of \$40.7 million, or 85.9%, resulting from accrued wage and vacation payouts from the settlement of the Local 2 and Local 689 labor union contracts that occurred in the amount of \$22.1 million and estimated retroactive wage increases in the amount of \$16.9 million for all other employee groups after the close of fiscal year 2018.

Financial Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

The following table provides an overview of the revenues, expenses, and changes in net position for the years ended June 30, 2019, 2018 and 2017:

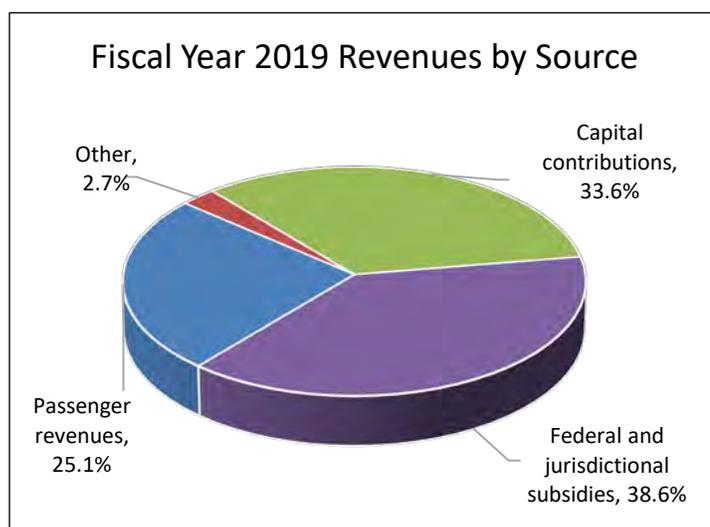
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
				Increase (decrease) Amount	%	Increase (decrease) Amount	%
Operating and nonoperating revenues:							
Operating revenues	\$ 789,678	\$ 800,523	\$ 788,813	\$ (10,845)	(1.4)	\$ 11,710	1.5
Nonoperating revenues	20,195	14,400	19,202	5,795	40.2	(4,802)	(25.0)
Total operating and nonoperating revenues	809,873	814,923	808,015	(5,050)	(0.6)	6,908	0.9
Subsidies and capital contributions:							
Federal and jurisdictional subsidies	1,121,805	1,120,346	1,074,539	1,459	0.1	45,807	4.3
Capital contributions	975,500	983,574	722,213	(8,074)	(0.8)	261,361	36.2
Total subsidies and capital contributions	2,097,305	2,103,920	1,796,752	(6,615)	(0.3)	307,168	17.1
Total revenues	2,907,178	2,918,843	2,604,767	(11,665)	(0.4)	314,076	12.1
Operating expenses	3,088,055	2,772,642	3,162,623	315,413	11.4	(389,981)	(12.3)
Nonoperating expenses	201,153	53,339	21,586	147,814	277.1	31,753	147.1
Total expenses	3,289,208	2,825,981	3,184,209	463,227	16.4	(358,228)	(11.3)
Change in net position	(382,030)	92,862	(579,442)	(474,892)	(511.4)	672,304	(116.0)
Net position, beginning of year	8,485,368	8,721,920	10,525,069	(236,552)	(2.7)	(1,803,149)	(17.1)
Cumulative effect of change in accounting principle	-	(329,414)	-	329,414	(100.0)	(329,414)	100.0
Restatement due to the adoption of GASB 75	-	-	(1,223,707)	-	0.0	1,223,707	(100.0)
Net position, beginning of year	8,485,368	8,392,506	9,301,362	92,862	1.1	(908,856)	(9.8)
Net position, end of year	\$ 8,103,338	\$ 8,485,368	\$ 8,721,920	\$ (382,030)	(4.5)	\$ (236,552)	(2.7)

Revenues

Current Year

Total fiscal year 2019 revenues in the amount of \$2.9 billion decreased by \$11.7 million, or 0.4%, from fiscal year 2018. Federal and jurisdictional subsidies, passenger revenues and capital contributions account for 38.6%, 25.1%, and 33.6% of total fiscal year 2019 revenues, respectively.

- Total operating revenues decreased by \$10.8 million, or 1.4%, from fiscal year 2018 primarily due to a decrease in passenger revenues in the amount of \$23.6 million, or 3.1%, due to decreased ridership during fiscal year 2019. Additional information on passenger trips is provided on page 11.



Financial Analysis (continued)

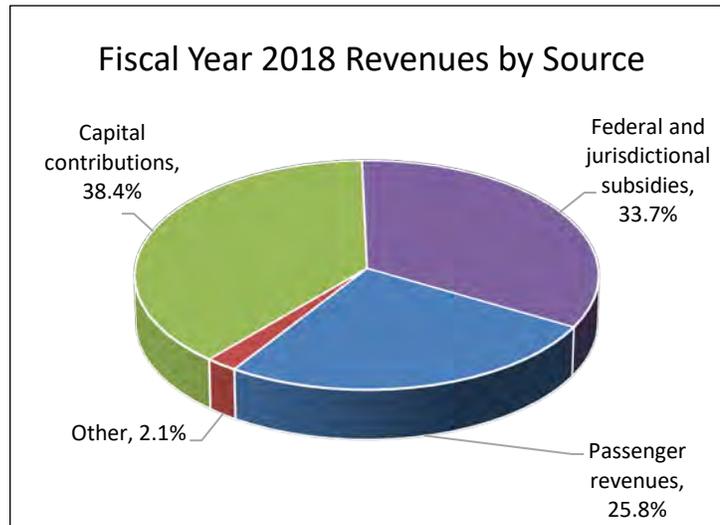
Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

Revenues (continued)

Prior Year

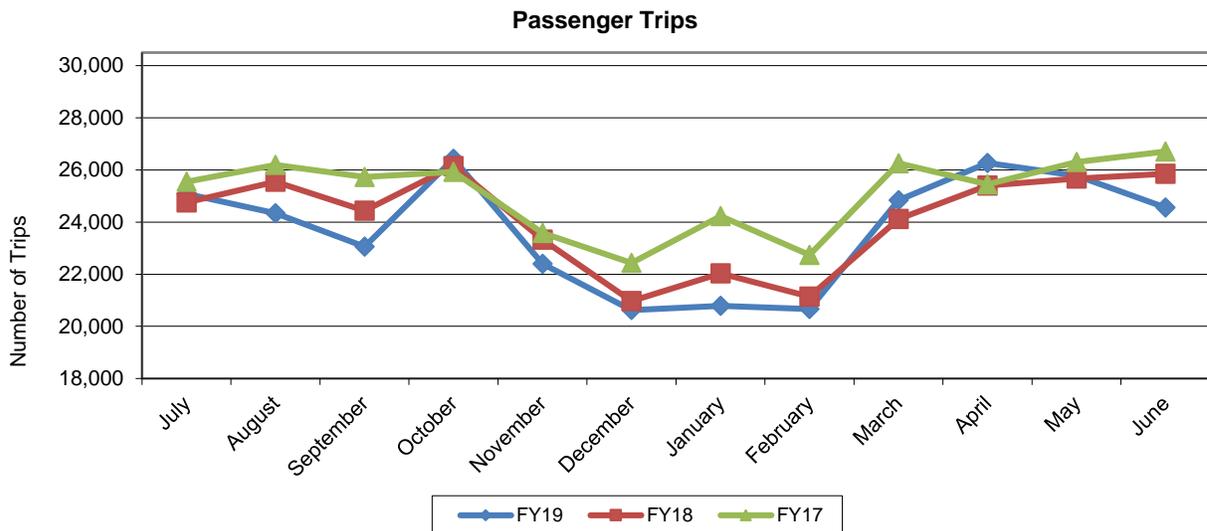
Total fiscal year 2018 revenues in the amount of \$2.9 billion increased by \$314.1 million, or 12.1%, from fiscal year 2017. Federal and jurisdictional subsidies, passenger revenues and capital contributions account for 38.4%, 25.8%, and 33.7% of total fiscal year 2018 revenues, respectively.

- Total operating revenues increased nominally by \$11.7 million, or 1.5%, from fiscal year 2017 primarily due to an increase in passenger revenues in the amount of \$12.7 million, or 1.7%, from fare increases in fiscal year 2018. Additional information on passenger trips is provided below.
- Capital contributions increased \$261.4 million, or 36.2%, from fiscal year 2017 largely due to \$272.6 million in uncollectible federal grants that occurred during the prior fiscal year. The uncollectible amounts were written off against capital contributions and funded by nonfederal sources. The removal of the uncollectible costs created additional capacity on the grants.



Passenger Trips

Below is a trend of the number of passenger trips by month for the fiscal years ended June 30, 2019, 2018 and 2017 (in thousands):



Financial Analysis (continued)

Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

Passenger Trips (continued)

Passenger trips decreased from fiscal year 2018, by a cumulative total of 4.6 million trips, or 1.6%, primarily due to the 35-day federal government shutdown and planned service disruptions for major capital projects. The federal government shutdown impacted rail and bus ridership equally.

Passenger trips decreased in fiscal year 2018 from fiscal year 2017, by a cumulative total of 11.7 million trips, or 3.9%, primarily due to weather related closures during the winter months, as well as planned rail station closures for repairs and maintenance.

Expenses

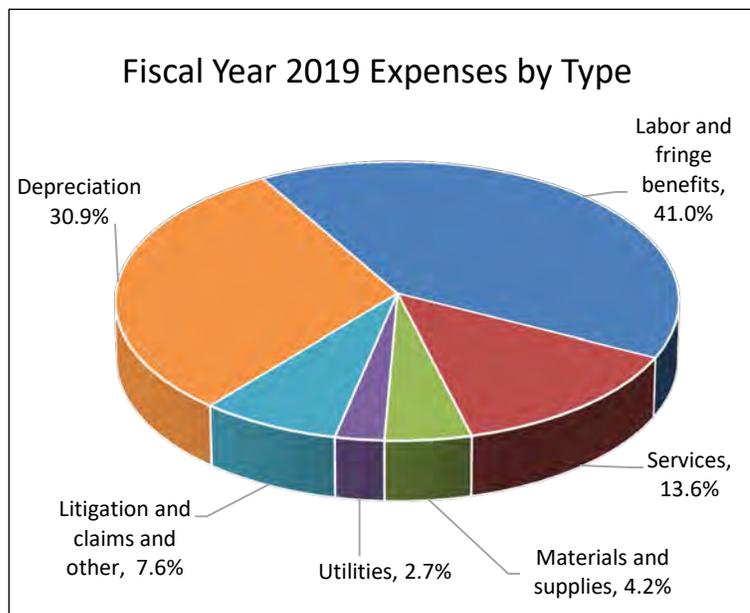
Current Year

Total expenses for fiscal year 2019, in the amount of \$3.3 billion, increased by \$463.2 million, or 16.4%, from fiscal year 2018.

Labor and fringe benefits are consistently the Authority's largest expenses, comprising 41.0% of total expenses. Depreciation is the next largest expense, which is expected, due to the Authority's large capital asset base. All other types of expenses, as compared to total expenses, have marginally increased from the prior year.

A review of significant changes is described below:

- Operating expenses increased by \$315.4 million, or 11.4%, primarily due to the following:
 - Labor and fringe benefits increased by \$173.8 million, or 14.8%, primarily due to an increase in the actuarially calculated expense for OPEB. In fiscal year 2018, a plan amendment reduced benefits and was recognized with a reduction in the expense for that year, whereas the fiscal year 2019 calculation did not include such reduction.
 - Services increased by \$110.7 million, or 32.8%, from fiscal year 2018 due primarily to increases in MetroAccess service provider costs, and consulting and engineering contracts for \$31.6 million, and \$67.9 million, respectively. Additionally, a contract for outsourced maintenance for \$16.2 million began in fiscal year 2019.
- Nonoperating expenses increased by \$147.8 million, or 277.1%, due primarily to \$167.2 million in losses from the early retirement of the 5000-series railcars, of which, \$81.2 million resulted from the remaining net book value of the railcars, and \$86.0 million related to amounts the Authority owed to the federal government for their interest in the railcars at the time they were retired.



Financial Analysis (continued)

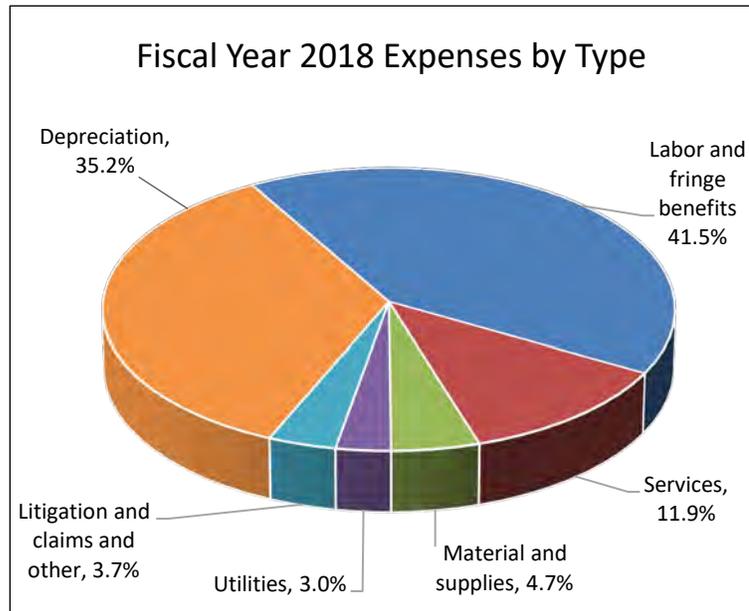
Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)

Expenses (continued)

Prior Year

Total expenses for fiscal year 2018, in the amount of \$2.8 billion, decreased by \$358.2 million, or 11.3%, from fiscal year 2017, primarily due to a decrease in operating expenses in the amount of \$390.0 million, or 12.3%. This decrease included the following:

- Labor and fringe benefits decreased by \$553.5 million, or 32.0%. This decrease is largely due to a plan amendment reducing benefits and the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75. This statement requires the effects of plan amendments to be recognized on the measurement date immediately following the amendment rather than being amortized over a period of up to 30 years. The adoption resulted in an increase in fringe benefits during fiscal year 2017 of \$405.7 million, and a subsequent decrease in fiscal year 2018 of \$149.4 million.
- Services increased by \$70.5 million, or 26.4%, from fiscal year 2017 due primarily to increases in MetroAccess service provider costs, legal services, and engineering contracts.
- Nonoperating expenses increased by \$31.8 million, or 147.1%, due primarily to the following:
 - Early retirement of the 4000-series railcars resulted in a loss on disposition of \$23.2 million.
 - Debt interest expense increased \$26.7 million due to the issuance of the Series 2017A and 2017B Bonds and the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, during fiscal year 2018, which required that interest incurred during the construction period be expensed as incurred.



Capital Assets and Debt Administration

Capital Assets

The following table shows the capital assets of the Authority as of June 30, 2019, 2018 and 2017:

Schedule of Capital Assets June 30, 2019, 2018 and 2017 (in thousands)							
	2019	2018	2017	2019 vs 2018		2018 vs 2017	
				Increase (decrease)		Increase (decrease)	
				Amount	%	Amount	%
Land	\$ 565,720	\$ 534,636	\$ 534,949	\$ 31,084	5.8	\$ (313)	(0.1)
Buildings and improvements	1,046,063	1,016,339	1,016,203	29,724	2.9	136	0.0
Transit facilities	13,819,459	13,396,178	13,138,997	423,281	3.2	257,181	2.0
Revenue vehicles	4,561,314	4,548,552	4,142,731	12,762	0.3	405,821	9.8
Equipment and other	4,262,370	4,221,117	4,188,378	41,253	1.0	32,739	0.8
Construction in progress	803,823	468,550	265,813	335,273	71.6	202,737	76.3
Total capital assets	25,058,749	24,185,372	23,287,071	873,377	3.6	898,301	3.9
Less: accumulated depreciation	12,410,455	11,698,412	10,901,052	712,043	6.1	797,360	7.3
Capital assets, net	\$ 12,648,294	\$ 12,486,960	\$ 12,386,019	\$ 161,334	1.3	\$ 100,941	0.8

Current Year

Capital assets, net increased by \$161.3 million, or 1.3%, from fiscal year 2018. Significant capital asset activity during fiscal year 2019 is as follows:

- Transit facilities increased by \$423.3 million, or 3.2%, due in part to station lighting improvements, rail track and rail bridge rehabilitation, power train upgrades, replacement of escalators and other improvements in safety systems.
- Construction in progress increased by \$335.3 million, or 71.6%, attributable to approximately \$1.2 billion of new capital costs incurred, of which \$911.9 million was placed into service during fiscal year 2019.
- Land increased by \$31.1 million, or 5.8%, due in part to the purchase of property in the District of Columbia for the Authority's new headquarters and office consolidation for \$27.4 million.
- Accumulated depreciation increased by \$712.0 million, or 6.1%, due to current year depreciation expense totaling \$1.0 billion offset by a reduction of \$385.0 million in assets removed from service, of which, \$302.9 million in assets were fully depreciated.

Capital Assets and Debt Administration (continued)

Capital Assets (continued)

Prior Year

Capital assets, net increased by \$100.9 million, or 0.8%, from fiscal year 2017. Significant capital asset activity during fiscal year 2018 is as follows:

- Revenue vehicles increased by \$405.8 million, or 9.8%. A large portion of the asset additions is mostly attributed to the following:
 - Purchase of 126 new 7000-series railcars for \$241.4 million; 71 new compressed natural gas buses totaling \$43.3 million, and 271 MetroAccess vans totaling \$17.9 million.
 - The Authority received a donation of 64 new 7000-series railcars in the amount of \$127.0 million from Metropolitan Washington Airports Authority (MWAA).
 - The Authority invested \$93.2 million in overhauling existing buses and railcars during the fiscal year.
- Transit facilities increased by \$257.2 million, or 2.0%, due in part to the replacement and improvement of the rail tracks, and the system wide upgrades and implementation of new information technology infrastructure.
- Construction in progress increased by \$202.7 million, or 76.3%, attributable to approximately \$1.0 billion of new capital costs incurred, of which \$788.0 million was placed into service during fiscal year 2018.
- Accumulated depreciation increased by \$797.4 million, or 7.3%, due to current year depreciation expense totaling \$994.2 million. This was offset by \$221.1 million in assets being removed from service, of which, \$196.8 million was fully depreciated.

Additional information on the Authority's capital assets can be found in Note 7 to the basic financial statements.

Bonds and Other Debt

A schedule of the Authority's debt activity for the years ended June 30, 2019, 2018 and 2017 is as follows:

	2019	2018	2017	2019 vs 2018		2018 vs 2017	
				Increase (decrease)		Increase (decrease)	
				Amount	%	Amount	%
Outstanding bonds	\$ 998,370	\$ 937,575	\$ 467,910	\$ 60,795	6.5	\$ 469,665	100.4
Net unamortized bond premium (discount)	148,784	130,244	15,731	18,540	14.2	114,513	727.9
Lines of credit	-	-	150,000	-	-	(150,000)	(100.0)
Tax advantage lease agreements	-	-	152,081	-	-	(152,081)	(100.0)
Total debt	\$ 1,147,154	\$ 1,067,819	\$ 785,722	\$ 79,335	7.4	\$ 282,097	35.9

Capital Assets and Debt Administration (continued)

Bonds and Other Debt (continued)

Current Year

The Authority's total debt increased by \$79.3 million, or 7.4%, from fiscal year 2018. Significant activities are described below:

- The Authority issued Series 2018 Gross Revenue Transit Bonds totaling \$239.9 million, including a premium of \$30.9 million, on December 18, 2018.
- The Authority made principal payments of \$170.0 million and \$9.1 million on Series 2016A and Series 2009A bonds, respectively, in July 2018.

Prior Year

The Authority's total debt increased by \$282.1 million, or 35.9%, from fiscal year 2017. Significant activities are described below:

- The Authority issued Series 2017A1 Gross Revenue Transit Refunding Bonds totaling \$148.5 million, including a premium of \$30.6 million and Series 2017A2 Gross Revenue Transit Refunding Bonds totaling \$48.9 million, including a premium of \$9.8 million on July 12, 2017.
- The Authority issued Series 2017B Gross Revenue Transit Bonds totaling \$496.5 million including a premium of \$94.4 million on August 17, 2017.
- The Authority terminated the two remaining railcar lease agreements on January 4, 2018 and November 16, 2017, which removed \$113.5 million of obligations under tax advantage leases.
- The outstanding balances on the lines of credit were repaid during the fiscal year.

Additional information on the Authority's bonds and other debt can be found in Note 9, *Short and Long-Term Liabilities*, and Note 13, *Tax Advantage Lease Agreements*, to the basic financial statements.

Future Capital Plans

Capital Improvement Program

The Board of Directors (Board) approved a six-year, \$9.2 billion Capital Improvement Program (CIP) on March 28, 2019. Funding for the CIP includes federal formula grants, assumed reauthorization of Passenger Rail Investment and Improvement Act grants and \$6.3 billion in state and local contributions. The six-year CIP is focused on system preservation and state of good repair requirements that were identified by a capital needs forecast and includes driving operating efficiency and improvements in service reliability and customer experience.

The fiscal year 2020 CIP contains \$1.5 billion in safety-enhancing, state of good repair and operating vehicle reliability investments. The Authority updates the jurisdictions and the Board quarterly about the progress of the capital program.

In March 2018, State of Maryland lawmakers joined the governments of the District of Columbia, and the Commonwealth of Virginia in a final approval to jointly provide up to \$500.0 million annually to support funding the Authority's CIP. The joint provision marks the first time the Authority has had a dedicated source of capital funding since it was established in 1967. In fiscal year 2020, a total of \$500.0 million in dedicated funding will be provided from the District of Columbia, Maryland and Virginia.

Future Capital Plans (continued)

Silver Line Rail Expansion

On September 14, 2007, the Authority entered into a cooperative agreement with MWA for the Silver Line as part of the Dulles Corridor Metrorail Project. The Silver Line was designed to expand the system from 106.1 miles to a total of 129.4 miles in two phases.

Phase 1 was transferred to the Authority and placed into service on July 26, 2014, adding 11.7 miles to the existing Metrorail system traveling west of the East Falls Church Metrorail station to Wiehle Avenue in the Reston area of Fairfax County, Virginia along the Dulles Corridor. The expansion included construction of five new stations: McLean, Tysons Corner, Greensboro, Spring Hill and Wiehle-Reston, a large park-and-ride lot at Wiehle Avenue and expanded storage capacity at the West Falls Church rail yard.

Construction on Phase 2 of the project began on August 7, 2013 and will include extending the Metrorail system an additional 11.6 miles beginning at Wiehle Avenue to Reston Town Center, Herndon, Dulles International Airport and ending in Eastern Loudoun County in Ashburn, Virginia. Phase 2 is projected to be operational in 2020.

Office Consolidation

The Authority began an office consolidation project by purchasing a new headquarters in the District of Columbia in fiscal year 2018. Together with property that the Authority already owned in Maryland and Virginia, these sites will be used to consolidate office staff into three locations. This project supports the efficient use of office space across the Authority through the reduction of leased space and is projected to save \$130.0 million over 20 years.

Yellow/Blue Line Improvements

The addition of Amazon's second headquarters in northern Virginia is expected to add 25,000 new jobs to the region over the next 25 years. In anticipation of this growth, the City of Alexandria, Virginia in conjunction with the Authority, is building a new Metrorail station at Potomac Yard, which is estimated to be substantially complete in 2022. In addition, Arlington County, Virginia and the Authority is proceeding with the design and construction of a second entrance at the Crystal City Metrorail station.

Economic Factors

The regional economy and job market in the Washington, D.C. metropolitan area has performed relatively well compared to other large metropolitan areas and the nation. According to the Bureau of Labor Statistics, the Washington, D.C. metropolitan area had an unemployment rate of 3.4% compared to the national rate of 3.8%, while the metropolitan area's job growth rate was the same as the national average at 1.5% as of June 30, 2019. The region added over 24,900 new jobs during the 12 months ending June 30, 2019.

Requests for Information

This financial report is designed to provide interested readers with a general overview of the Authority's finances. Questions concerning this report or requests for additional financial information should be directed to the VP & Comptroller, Office of Accounting, Washington Metropolitan Area Transit Authority, 600 Fifth Street, NW, Washington, D.C. 20001.

Statements of Net Position
June 30, 2019 and 2018
(in thousands)

Exhibit 1
(continued)

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 139,073	\$ 297,320
Restricted cash and cash equivalents	101,510	127,993
Investments	47,869	85,815
Restricted investments held with fiscal agent	56,229	-
Accounts receivable, net of allowance, and other assets	167,934	198,082
Materials and supplies inventory, net of obsolescence	110,879	123,424
Total current assets	<u>623,494</u>	<u>832,634</u>
Noncurrent assets:		
Restricted investments held with fiscal agent	-	57,329
Capital assets:		
Construction in progress	803,823	468,550
Land	565,720	534,636
Buildings and improvements	1,046,063	1,016,339
Transit facilities	13,819,459	13,396,178
Revenue vehicles	4,561,314	4,548,552
Equipment and other	4,262,370	4,221,117
Less: accumulated depreciation	<u>(12,410,455)</u>	<u>(11,698,412)</u>
Total capital assets, net	<u>12,648,294</u>	<u>12,486,960</u>
Total noncurrent assets	<u>12,648,294</u>	<u>12,544,289</u>
Total assets	<u>13,271,788</u>	<u>13,376,923</u>
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	968	-
Deferred loss on debt defeasance	3,568	3,843
Deferred outflows from pensions	216,053	214,380
Deferred outflows from OPEB	187,790	210,332
Total deferred outflows of resources	<u>408,379</u>	<u>428,555</u>
Total assets and deferred outflows of resources	<u>\$ 13,680,167</u>	<u>\$ 13,805,478</u>

Statements of Net Position
June 30, 2019 and 2018
(in thousands)

Exhibit 1
(concluded)

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 416,729	\$ 257,822
Accrued salaries and benefits	47,057	88,038
Compensated absences	73,180	58,477
Due to other governments	168,767	93,605
Accrued interest payable	25,942	23,564
Unearned revenue	88,302	91,027
Litigation and claims	59,149	48,815
Retainage on contracts	10,714	7,555
Bonds payable	75,550	179,125
Total current liabilities	<u>965,390</u>	<u>848,028</u>
Noncurrent liabilities:		
Compensated absences	10,366	18,359
Litigation and claims	149,776	140,397
Retainage on contracts	12,544	18,609
Bonds payable	1,071,604	888,694
Net pension liability	836,893	899,356
Net OPEB liability	2,120,897	2,148,549
Total noncurrent liabilities	<u>4,202,080</u>	<u>4,113,964</u>
Total liabilities	<u>5,167,470</u>	<u>4,961,992</u>
Deferred inflows of resources:		
Deferred inflows from pensions	104,240	79,279
Deferred inflows from OPEB	305,119	275,741
Accumulated increase in fair value of hedging derivatives	-	3,098
Total deferred inflows of resources	<u>409,359</u>	<u>358,118</u>
Total liabilities and deferred inflows of resources	<u>5,576,829</u>	<u>5,320,110</u>
NET POSITION		
Net investment in capital assets	11,315,608	11,327,174
Unrestricted (deficit)	(3,212,270)	(2,841,806)
Total net position	<u>\$ 8,103,338</u>	<u>\$ 8,485,368</u>

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

Statements of Revenues, Expenses, and Changes in Net Position **Exhibit 2**
For the Years Ended June 30, 2019 and 2018
(in thousands)

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Passenger	\$ 730,061	\$ 753,699
Advertising	29,042	22,590
Rental	30,265	23,994
Other	310	240
Total operating revenues	<u>789,678</u>	<u>800,523</u>
OPERATING EXPENSES		
Labor and fringe benefits	1,347,638	1,173,802
Services	448,261	337,587
Materials and supplies	138,679	133,738
Utilities	88,578	83,381
Litigation and claims	34,502	34,457
Leases and rentals	9,298	7,818
Miscellaneous	6,118	7,654
Depreciation	1,014,981	994,205
Total operating expenses	<u>3,088,055</u>	<u>2,772,642</u>
Operating loss	<u>(2,298,377)</u>	<u>(1,972,119)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,790	1,827
Interest income from leasing transactions	-	2,049
Interest expense from leasing transactions	-	(2,049)
Interest expense and fiscal charges	(35,535)	(34,579)
Net loss on disposition of assets	(165,618)	(16,711)
Other	15,405	10,524
Federal and jurisdictional subsidies:		
Federal	51,534	61,851
Jurisdictional	1,070,271	1,058,495
Total nonoperating revenues (expenses), net	<u>940,847</u>	<u>1,081,407</u>
Loss before capital contributions	<u>(1,357,530)</u>	<u>(890,712)</u>
Capital contributions	<u>975,500</u>	<u>983,574</u>
Change in net position	<u>(382,030)</u>	<u>92,862</u>
Total net position, beginning of year	8,485,368	8,721,920
Cumulative effect of change in accounting principle	-	(329,414)
Total net position, beginning of year, as adjusted	<u>8,485,368</u>	<u>8,392,506</u>
Total net position, end of year	<u>\$ 8,103,338</u>	<u>\$ 8,485,368</u>

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

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(in thousands)

Exhibit 3
(continued)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from operations	\$ 772,356	\$ 908,522
Cash received from other sources	15,405	10,524
Cash paid to suppliers	(643,700)	(555,075)
Cash paid to employees	(1,396,816)	(1,327,858)
Cash paid for operating litigation and claims	(14,789)	(10,283)
Net cash used in operating activities	<u>(1,267,544)</u>	<u>(974,170)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from federal and jurisdictional subsidies	<u>1,161,642</u>	<u>928,906</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to construct capital assets	(1,215,997)	(953,596)
Receipts from capital contributions	1,009,054	1,005,698
Payment of interest and fiscal charges	(45,206)	(47,619)
Principal payments on bonds and other debt	(179,125)	(374,205)
Proceeds from debt issuance and other debt	270,784	828,625
Jurisdictional receipts for debt service	35,325	12,495
Proceeds from sale of capital assets	2,501	7,007
Net cash (used in) provided by capital and related financing activities	<u>(122,664)</u>	<u>478,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	1,440,878	4,702,388
Purchases of investments	(1,401,217)	(4,770,674)
Interest received from operational investments	4,175	2,547
Net cash provided by (used in) investing activities	<u>43,836</u>	<u>(65,739)</u>
Net change in cash and cash equivalents	(184,730)	367,402
Cash and cash equivalents, beginning of year	<u>425,313</u>	<u>57,911</u>
Cash and cash equivalents, end of year	<u>\$ 240,583</u>	<u>\$ 425,313</u>

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018
(in thousands)

Exhibit 3
(concluded)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (2,298,377)	\$ (1,972,119)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	1,014,981	994,205
Miscellaneous receipts	15,405	10,524
Accumulated (decrease) increase in fair value of hedging derivatives	(4,066)	4,267
Effect of changes in operating assets and liabilities:		
(Increase) decrease in accounts receivables, net of allowance, and other assets	(14,597)	106,338
Decrease in materials and supplies inventory, net of obsolescence	12,545	8,774
Increase in deferred outflows from pensions	(1,673)	(91,355)
Decrease in deferred outflows from OPEB	22,542	26,277
Increase in accounts payable and accrued expenses	38,755	2,062
(Decrease) increase in accrued salaries and benefits	(40,981)	40,669
Increase (decrease) in compensated absences	6,710	(15,246)
(Decrease) increase in unearned revenue	(2,725)	1,661
Increase in litigation and claims	19,713	24,174
Decrease in net pension liability	(62,463)	(207,949)
Decrease in net OPEB liability	(27,652)	(117,769)
Increase in deferred inflows from pensions	24,961	269,246
Increase (decrease) in deferred inflows from OPEB	29,378	(57,929)
Total adjustments	<u>1,030,833</u>	<u>997,949</u>
Net cash used in operating activities	<u>\$ (1,267,544)</u>	<u>\$ (974,170)</u>
Noncash operating, investing, capital and financing activities:		
Increase (decrease) in fair value of investments	<u>\$ 615</u>	<u>\$ (720)</u>
Donated assets included in capital asset additions and capital contributions	<u>\$ 11,036</u>	<u>\$ 128,574</u>
Loss on disposal of assets	<u>\$ 81,244</u>	<u>\$ 23,718</u>
Capital asset additions included in accounts payable	<u>\$ 278,769</u>	<u>\$ 158,617</u>
Adjustment to previously recognized capital assets	<u>\$ 3,892</u>	<u>\$ 15,452</u>

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

Notes to the Basic Financial Statements June 30, 2019 and 2018

1. Background, Governance and Reporting Entity

(a) Organization

The Washington Metropolitan Area Transit Authority (Authority or WMATA) was created, effective February 20, 1967, by the Interstate Compact (Compact) by and between Maryland, Virginia and the District of Columbia, pursuant to Public Law 89 774, approved November 6, 1966. The Authority was created to plan, construct, finance and operate a public transit system serving the Washington Metropolitan Area Transit Zone (Transit Zone). The Transit Zone includes the following local jurisdictions: the District of Columbia; cities of Alexandria, Falls Church, Fairfax, Manassas, and Manassas Park and counties of Arlington, Fairfax, Loudoun, and Prince William in Virginia; and the counties of Montgomery, Anne Arundel, Charles, and Prince George's in Maryland.

(b) Governance

The Authority is governed by a Board of Directors (Board) consisting of eight voting Principal Directors and eight Alternate Directors with each signatory to the Compact and the federal government appointing two voting Directors and two Alternate Directors each. The Principal and Alternate Directors for Virginia are appointed by the Northern Virginia Transportation Commission; for the District of Columbia, by the City Council; for Maryland, by the Washington Suburban Transit Commission; and for the federal government, by the U.S. Secretary of Transportation.

The Board governs and sets policy for the Authority. Subject to policy direction and delegations from the Board, the General Manager/Chief Executive Officer is responsible for all activities of the Authority. The staff carries out these activities through the approved organizational structure of the Authority.

(c) Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America (US GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the organization's board and either:
 - a. the ability to impose will by the primary government or
 - b. the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) The organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits to or impose financial burdens on the primary government.

In addition, component units can be other organizations for which its exclusion from the financial reporting entity would cause the financial statements to be misleading. Based upon the application of these criteria, the Authority has no component units and is not a component unit of any other entity.

1. Background, Governance and Reporting Entity (continued)

(c) Financial Reporting Entity (continued)

The Authority participates in six pension plans and a single employer other postemployment benefit (OPEB) plan, which are further described in Notes 10 and 11, respectively, to the basic financial statements. The pension and OPEB plans are not included as fiduciary funds or component units of the Authority, are legally separate and distinct entities from the Authority and are administered by their own boards. The Authority assumes no fiduciary responsibility and has no direct authority over the pension plans. Accordingly, their accounts are not included in the accompanying basic financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with US GAAP, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards. The Authority's significant accounting policies are described below.

(a) Basis of Accounting

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

(b) Cash and Cash Equivalents

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

(c) Restricted Cash and Cash Equivalents

The Authority's restricted cash and cash equivalents at year end consist of proceeds from the issuance of Series 2018 and 2017B Gross Revenue Transit Bonds that are restricted for capital costs, and surcharge amounts collected at parking facilities per agreements with Fairfax County, Virginia and the counties of Montgomery and Prince George's in Maryland. These surcharge amounts are to be used for payment of expenses related to the parking structures in the respective jurisdictions.

Additionally, other amounts in restricted cash and cash equivalents include unspent amounts dedicated for capital.

(d) Investments

The Authority's investments are reported at fair value using quoted market price or other observable inputs. GASB statement No.72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

2. Summary of Significant Accounting Policies (continued)

(e) Accounts Receivable and Other Assets

The major components of the accounts receivable and other assets balance are payments due from governmental agencies, companies, other customers, and prepaid expenses. The accounts receivable balances are reported net of allowances totaling \$4.2 million and \$4.1 million as of June 30, 2019 and 2018, respectively.

(f) Materials and Supplies Inventory

Materials and supplies inventory is reported using the average cost method, net of an allowance for obsolete inventory of \$16.1 million and \$8.4 million as of June 30, 2019 and 2018, respectively. Obsolete inventory is estimated by taking the highest of the current and prior two fiscal years' actual inventory write-offs.

(g) Restricted Investments Held with Fiscal Agent

Investments with fiscal agent include \$56.2 million and \$57.3 million as of June 30, 2019 and 2018, respectively, representing proceeds held in escrow from the Series 2017A2 Gross Revenue Transit Refunding Bonds to legally defease the Series 2009B Gross Revenue Transit Bonds when called on the crossover refunding date, July 1, 2019.

(h) Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life more than one year. The Authority's policy is to expense maintenance and repair costs as incurred.

The Authority's capital assets are comprised of construction in progress, land, transit facilities (e.g., stations, track, tunnels), buildings and improvements, revenue vehicles, equipment and other assets. Capital assets are reported at historical costs and include labor and other ancillary costs associated with placing the capital asset into service. Donated capital assets such as revenue vehicles are placed in service at their acquisition value. Donated land is reported at assessed value.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. A full month's depreciation is calculated in the month an asset is placed in service. The useful lives for calculating depreciation on principle classes of assets are as follows:

Buildings and improvements	10-45 years
Transit facilities	10-75 years
Revenue vehicles	4-35 years
Equipment and other	4-20 years

(i) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of amounts due to vendors and contractors.

(j) Accrued Salaries and Benefits

Accrued salaries and benefits consist of amounts due to employees for earned wages and benefits. In addition, this includes post-employment benefits owed to retirees.

2. Summary of Significant Accounting Policies (continued)

(k) Due to Other Governments

The amounts in due to other governments include unspent parking garage surcharges the Authority collects on behalf of several local jurisdictions. Also, included in due to other governments are funds the Authority receives in advance to perform reimbursable construction projects on behalf of other jurisdictions.

Additional amounts in due to other governments reflect federal interest from the sale or retirement of capital assets. Federal interest is the percentage of funding provided by the federal government to acquire the asset applied to the net proceeds or remaining book value of the retired asset. The net book value for federal interest is calculated using the federal agencies' approved useful lives, which may differ from the useful lives used by the Authority. The Authority will utilize these funds to offset future capital asset acquisitions upon approval by the federal agencies to retain the funds.

(l) Compensated Absences

The Authority's policy permits eligible employees to accumulate earned, but unused, sick, vacation and compensatory leave benefits. Vacation may be accumulated up to the maximum amounts shown in the table below:

Employee Group	Service	Carryover Limit	Carryover Limit
Executive and Senior	Not applicable	337.5 hours	Remaining balance is forfeited
Non-Represented:			
7.5 hour workdays	0–15 years	225.0 hours	Remaining balance is forfeited
	15+ years	337.5 hours	
8 hour workdays	0–15 years	240.0 hours	Remaining balance is forfeited
	15+ years	360.0 hours	
Local 2:			
7.5 hour workdays	0–15 years	225.0 hours	100% converted to sick leave
	15+ years	337.5 hours	
8 hour workdays	0–15 years	240.0 hours	100% converted to sick leave
	15+ years	360.0 hours	
Fraternal Order of Police	Not applicable	400.0 hours	50% converted to sick leave
Special Police Officers	Not applicable	240.0 hours	Remaining balance is forfeited
Local 689			
Fiscal year 2018	Not applicable	0.0 hours	Full remaining balance at June 30, 2018 was paid out to employees
Fiscal year 2019 and after	Not applicable	40.0 hours	Balance up to 5 days is paid out and any remaining balance is forfeited
Local 922	0–15 years	240.0 hours	Remaining balance is forfeited
	15+ years	360.0 hours	

2. Summary of Significant Accounting Policies (continued)

(l) Compensated Absences (continued)

Depending on the employees' respective group, remaining unused vacation amounts in excess of the Authority's maximum carryover limit must be used by December 31 or June 30, or they are either forfeited, converted to sick leave, or paid out to employees and are no longer included as a compensated absence liability to the Authority. All unused vacation is included in compensated absences when earned.

There is no liability for accumulated sick leave since the Authority's policy does not allow payment of unused sick leave to employees when they separate from service.

The Authority's policy and the related collective bargaining agreements permit certain eligible employees to accumulate compensatory time. Non-represented, exempt employees may accrue compensatory time up to 75 hours in a calendar year. The other employee groups may accrue and carry forward compensatory time up to 240 hours in a calendar year. Compensatory time balances in excess of the maximum annual carryover limits as of December 31 each year are either paid out as overtime or forfeited, as dictated by the applicable policy or collective bargaining agreement. The compensatory balances accrued at June 30, 2019 and 2018 were \$2.4 million and \$2.3 million, respectively, and are included in compensated absences on the Statements of Net Position.

(m) Unearned Revenue

Unearned revenues are primarily payments received in advance for unredeemed passenger fares.

(n) Litigation and Claims

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

(o) Retainage on Contracts

Retainage on contracts includes the portion withheld from vendors until the completion of the contract.

(p) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense) until that time. These items are reported as a category below assets on the Statements of Net Position.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and as such will not be recognized as an inflow of resources (revenue) until that time. These items are reported as a category below liabilities on the Statements of Net Position.

The Authority reports the following items that qualify for reporting as deferred outflows of resources or deferred inflows of resources: the accumulated change in the fair value component of the master commodity swap agreement for diesel fuel; amortization of deferred loss for the Series 2009A bond defeasance; deferred inflows and outflows from pensions and OPEB as a result of contributions made after the measurement date and differences between expected and actual experience; and jurisdictional advances for subsidies made prior to the period that they apply.

2. Summary of Significant Accounting Policies (continued)

(q) Hedging Derivative Instrument

The Authority entered into a contract to purchase a minimum amount of diesel fuel based upon a differential price on the New York Mercantile Exchange (NYMEX) index. At the same time, the Authority entered into a fuel swap agreement to take advantage of market conditions, or hedge, the price of fuel.

In accordance with GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*, the swap agreement is reported at fair value, and amounts owed by the Authority are included in deferred outflows of resources and amounts due to the Authority are included in deferred inflows of resources on the Statements of Net Position.

(r) Operating and Nonoperating Revenues and Expenses

The Authority distinguishes operating revenues and expenses from nonoperating transactions. Operating revenues and expenses are those that generally result from providing services in connection with the Authority's principal ongoing operation. The principal operating revenues of the Authority are charges to customers for parking and transportation that result in passenger fares. The Authority also recognizes as operating revenue amounts received for rental, advertisements, and other services. These amounts are recorded as revenue at the time services are performed. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating.

Nonoperating revenues include federal and jurisdictional subsidies, investment income, interest income from leasing transactions, non-passenger parking, sale of non-capital surplus equipment, fines, inspections, and other miscellaneous collections. Nonoperating expenses include interest expenses and loss on disposition of assets, which includes the remaining federal interest in federally funded assets disposed of before the end of the useful life. Investment income is generated from advance contributions for capital and operating needs.

The Authority operates at a loss, which is subsidized by participating jurisdictions. Operating subsidies are recognized as revenue when the jurisdictions appropriate the amount to the Authority and the period to which the appropriation pertains has begun.

(s) Capital Contributions

The Authority's capital program is supported primarily through funding from federal agencies and the jurisdictions. Capital grant revenue from federal awards is recognized upon grant award and the incurrence of eligible expenditures. Capital grant revenue from jurisdictions is recognized in the year for which the appropriation was made. Federal grants, jurisdictional capital subsidies, and other miscellaneous capital contributions totaled \$964.5 million and \$855.0 million in fiscal years 2019 and 2018, respectively.

Also included as a component of capital contributions is donated property and equipment the Authority receives, which represented approximately \$11.0 million and \$128.6 million of the Authority's capital contributions during fiscal years 2019 and 2018, respectively.

2. Summary of Significant Accounting Policies (continued)

(t) Net Position

Net position represents the residual interest in the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and consists of the net investment in capital assets and unrestricted net position, as follows:

- **Net investment in capital assets** – The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- **Unrestricted net position** – This category represents the portion of net position that is not classified as “net investment in capital assets”. Unrestricted net position may be designated for specific purposes by action of management or the Board. The deficit balance will require future funding.

(u) Reclassifications

Certain reclassifications were made to the comparative fiscal year 2018 amounts to conform to the fiscal year 2019 presentation in the basic financial statements.

(v) Use of Estimates

The preparation of the basic financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, capital contributions, and disclosure of restricted assets and contingent liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(w) Adoption of New GASB Pronouncements

The Authority adopted the following GASB Statements in fiscal year 2019:

- **GASB Statement No. 83, *Certain Asset Retirement Obligations***: This Statement establishes accounting and financial reporting standards for certain asset retirement obligations (AROs). An ARO for the purposes of applying this statement is a legally enforceable liability associated with the retirement of a tangible capital asset that is permanently removed from service. This Statement requires that a liability must be recognized when incurred and reasonably estimated. The determination of when a liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. The Authority evaluated assets and concluded that there were no triggering events for an ARO to be recorded for fiscal year 2019. The Authority will continue to monitor and evaluate all assets each year for evidence of AROs.

2. Summary of Significant Accounting Policies (continued)

(w) Adoption of New GASB Pronouncements (continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*:** This Statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of defaults with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separate from other debt. The adoption of this Statement resulted in additional bond covenant disclosures in Note 9, *Short and Long-Term Liabilities*.

(x) Pronouncements Issued but Not Yet Adopted

GASB has issued the following pronouncements that may affect future financial presentation or fiscal practices of the Authority upon implementation:

No.	GASB Statement	Fiscal Year
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
90	<i>Majority Equity Interests</i>	2020
91	<i>Conduit Debt Obligation</i>	2022

GASB statements with required adoption in fiscal year 2020:

- GASB Statement No. 84, *Fiduciary Activities*:** This Statement establishes criteria for identifying fiduciary activities of all state and local government. 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. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The adoption of Statement No. 84 is expected to have an impact on the Authority's basic financial statements with the addition of the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

2. Summary of Significant Accounting Policies (continued)

(x) Pronouncements Issued but Not Yet Adopted (continued)

- GASB Statement No. 90, Majority Equity Interests:** The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Authority currently does not have any majority equity interest; therefore, the adoption of Statement No. 90 is not expected to have an impact on the Authority's financial statements.

The Authority is currently evaluating the applicability and impact of GASB Statements No. 87, *Leases*, and No. 91, *Conduit Debt Obligation*, which have a required adoption periods after fiscal year 2020.

3. Plans of Financing

The planning, development and operation of the transit facilities serving the Transit Zone are funded from the combined resources of the federal government; subsidy payments from participating jurisdictions in the State of Maryland, Commonwealth of Virginia, and District of Columbia; and the Authority's operations, which are primarily funded by passenger fare revenues. In establishing its budget each year, the Authority makes an estimate of the revenues it expects to receive from operation of the system based on the current or projected fare schedule and ridership.

The shares of the jurisdictions' operating subsidy requirements per the approved fiscal years 2019 and 2018 budgets are as follows:

Jurisdiction	2019	2018
District of Columbia	37.1 %	37.5 %
Prince George's County, Maryland	20.9	20.8
Montgomery County, Maryland	17.0	16.6
Fairfax County, Virginia	13.6	13.5
All other jurisdictions	11.4	11.6
Total	100.0 %	100.0 %

The Authority's Capital Improvement Program is based on the results of an extensive needs assessment, the requirement to align resources to rehabilitate the existing systems, and to grow ridership. The Authority's capital budget is funded primarily by federal grants, substantial capital contributions provided by participating jurisdictions, and the issuance of debt.

4. Cash, Deposits and Investments

As provided in the amended Compact, any monies of the Authority may, at the discretion of the Board and subject to any agreement or covenant between the Authority and the holders of its debt obligations limiting or restricting classes of investments, be invested in the following:

- 1) Direct obligations of, or obligations guaranteed by, the United States;
- 2) Bonds, debentures, notes, or other evidences of indebtedness issued by agencies of the United States;
- 3) Domestic and Eurodollar certificates of deposit;
- 4) Securities that qualify as lawful investments and may be accepted as security for fiduciary, trust and public funds under the control of the United States or any officer or officers thereof; or securities eligible as collateral for deposits of monies of the United States; or
- 5) Bonds, debentures, notes or other evidences of indebtedness issued by a domestic corporation provided that such obligations are nonconvertible and at the time of their purchase are rated in the highest rating categories by one or more nationally recognized bond rating agencies.

(a) Cash and Cash Equivalents

The Authority's bank balances as of June 30, 2019 and 2018 are as follows (in thousands):

Cash and Cash Equivalents	June 30, 2019		June 30, 2018	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Deposits insured or collateralized (unrestricted)	\$ 105,813	\$ 115,416	\$ 283,903	\$ 287,995
Deposits insured or collateralized (restricted)	-	-	93,721	93,721
Deposit money market accounts (unrestricted)	29,480	29,480	-	-
Deposit money market accounts (restricted)	88,052	88,052	-	-
Repurchase agreements (unrestricted)	-	-	9,297	9,297
Repurchase agreements (restricted)	13,458	13,458	34,272	34,272
Cash on hand	3,780	-	4,120	-
Total cash and cash equivalents	<u>\$ 240,583</u>	<u>\$ 246,406</u>	<u>\$ 425,313</u>	<u>\$ 425,285</u>

The Authority's bank deposit account balances are Federal Deposit Insurance Corporation insured up to \$250,000, and any excess amounts are fully collateralized by the pledge of eligible collateral. The depository banks pledge collateral to the Authority, which is held in a restricted account at a Federal Reserve Bank as a custodian, and at the Bank of New York Mellon as a custodian and collateral agent. In addition, one depository bank has pledged an irrevocable standby letter of credit as collateral, issued by a Federal Home Loan Bank, which is held by the Authority.

Under the terms of the parking surcharge agreements, the amounts received from parking surcharges (restricted repurchase agreements, restricted money market accounts) are to be used for payment of the expenses related to the parking structures in each of the respective jurisdictions, including lease and financing payments.

4. Cash, Deposits and Investments (continued)

(a) Cash and Cash Equivalents (continued)

Proceeds from the issuance of the Series 2018 and 2017B Gross Revenue Transit Bonds (restricted repurchase agreements, restricted money market accounts, restricted deposits insured or collateralized) are to be used to finance capital costs.

The Authority's cash equivalents are valued at amortized cost, as defined by GASB Statement No. 31, *Accounting and Financial Reporting for Investments*.

(b) Investments

i) Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities. However, as a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's practice is to structure its investment portfolio maturities to meet cash flow requirements. This results in short-term maturities for investments for operations and capital projects. On average, investment maturities were less than six months at June 30, 2019 and 2018.

As of June 30, 2019 and 2018, the Authority has the following investments (in thousands):

Investment Type	Fair Value June 30, 2019	Investment Maturities as of June 30, 2019			
		Less than 6 Months	7 Months – 1 Year	1–3 Years	More than 3 Years
United States Treasuries	\$ 2,514	\$ -	\$ -	\$ -	\$ 2,514
United States Agencies	101,141	101,141	-	-	-
Total investments	103,655	101,141	-	-	2,514
Accrued interest	443	-	-	-	-
Total	\$ 104,098	\$ 101,141	\$ -	\$ -	\$ 2,514

Investment Type	Fair Value June 30, 2018	Investment Maturities as of June 30, 2018			
		Less than 6 Months	7 Months – 1 Year	1–3 Years	More than 3 Years
United States Treasuries	\$ 4,062	\$ 1,626	\$ -	\$ -	\$ 2,436
United States Agencies	138,316	83,023	-	55,293	-
Total investments	142,378	84,649	-	55,293	2,436
Accrued interest	766	-	-	-	-
Total	\$ 143,144	\$ 84,649	\$ -	\$ 55,293	\$ 2,436

4. Cash, Deposits and Investments (continued)

(b) Investments (continued)

i) Interest Rate Risk (continued)

As of June 30, 2019 and 2018, the Authority included \$56.2 million and \$57.3 million respectively, in United States Agencies investments held in escrow for defeasing the Series 2009B Gross Revenue Transit Bonds on the crossover refunding date of July 1, 2019. Accordingly, \$56.2 million is reported as current restricted investments with fiscal agent and \$57.3 million was reported as noncurrent restricted investments with fiscal agent in fiscal year 2019 and 2018, respectively, on the Statements of Net Position.

ii) Credit Risk

The Authority's Compact, allows for investments that are direct obligations of, or obligations guaranteed by, the U.S. Government as well as evidences of indebtedness issued by agencies of the U.S. Government or indebtedness issued by a domestic corporation, provided that such obligations are rated at the time of purchase in the highest rating categories by a nationally recognized bond rating agency.

The Authority's investments which have the implicit guarantee of the U.S. Government, were, at the time of purchase, awarded the highest rating by one or more of the nationally recognized rating organizations: Standard and Poor's, Moody's Investor Service, or Fitch Ratings.

The following table summarizes the ratings of the Authority's debt securities from Moody's Investor Service as of June 30, 2019 and 2018 (in thousands):

Investment Type	Fair Value June 30, 2019	Fair Value June 30, 2018	Rating
United States Treasuries	\$ 2,514	\$ 4,062	Aaa
United States Agencies	101,141	138,316	Aaa
Total investments at fair value	\$ 103,655	\$ 142,378	

iii) Custodial Credit Risk

The Authority does not have a formal policy for custodial credit risk. The Authority's investments are held by third party custodians. All individual securities are held in the name of the Authority.

5. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs.

5. Fair Value Measurements (continued)

The Authority has the following recurring fair value measurements as of June 30, 2019 and 2018 (in thousands):

	June 30, 2019			
	Fair Value	Level 1	Level 2	Level 3
Investments by Type:				
United States Treasuries	\$ 2,514	\$ 2,514	\$ -	\$ -
United States Agencies	101,141	-	101,141	-
Total investments	<u>\$ 103,655</u>	<u>\$ 2,514</u>	<u>\$ 101,141</u>	<u>\$ -</u>
Fuel swap derivative	<u>\$ (968)</u>	<u>\$ -</u>	<u>\$ (968)</u>	<u>\$ -</u>
	June 30, 2018			
	Fair Value	Level 1	Level 2	Level 3
Investments by Type:				
United States Treasuries	\$ 4,062	\$ 4,062	\$ -	\$ -
United States Agencies	138,316	-	138,316	-
Total investments	<u>\$ 142,378</u>	<u>\$ 4,062</u>	<u>\$ 138,316</u>	<u>\$ -</u>
Fuel swap derivative	<u>\$ 3,098</u>	<u>\$ -</u>	<u>\$ 3,098</u>	<u>\$ -</u>

United States Treasuries are valued using prices quoted in active markets. The United States Agencies are valued using matrix pricing. The fuel swap derivative is valued using an income approach, which is a mathematical approximation of the market, derived from proprietary models that are based on certain assumptions regarding past, present and future market conditions, as well as certain financial information.

6. Accounts Receivable, Net of Allowance, and Other Assets

The amounts in accounts receivable, net of allowance, and other assets are as follows at June 30, 2019 and 2018 (in thousands):

	June 30, 2019	June 30, 2018
Federal grants receivables	\$ 73,926	\$ 133,772
Jurisdictional and other receivables	94,335	67,084
Allowance for doubtful accounts	<u>(4,176)</u>	<u>(4,133)</u>
Total accounts receivable, net of allowance	164,085	196,723
Prepaid expenses	<u>3,849</u>	<u>1,359</u>
Total accounts receivable, net of allowance, and other assets	<u>\$ 167,934</u>	<u>\$ 198,082</u>

6. Accounts Receivable, Net of Allowance and Other Assets (continued)

Federal grants receivables represent amounts due from grantor agencies for the unreimbursed, eligible program costs. Jurisdictional receivables primarily represent amounts due from jurisdictions for funding dedicated for capital and operating and capital subsidies. Other receivables primarily represent amounts due from other governmental agencies for reimbursable projects and amounts due from entities for fiber optic and real estate leases.

7. Capital Assets

Capital assets activity for the years ended June 30, 2019 and 2018 is as follows (in thousands):

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 534,636	\$ 31,084	\$ -	\$ 565,720
Construction in progress	468,550	1,247,222	(911,949)	803,823
Total capital assets not being depreciated	<u>1,003,186</u>	<u>1,278,306</u>	<u>(911,949)</u>	<u>1,369,543</u>
Capital assets being depreciated:				
Buildings and improvements	1,016,339	29,724	-	1,046,063
Transit facilities	13,396,178	462,976	(39,695)	13,819,459
Revenue vehicles	4,548,552	347,959	(335,197)	4,561,314
Equipment and other	4,221,117	51,399	(10,146)	4,262,370
Total capital assets being depreciated	<u>23,182,186</u>	<u>892,058</u>	<u>(385,038)</u>	<u>23,689,206</u>
Less accumulated depreciation for:				
Buildings and improvements	568,649	35,493	(26)	604,116
Transit facilities	6,157,026	467,603	(38,348)	6,586,281
Revenue vehicles	2,111,069	273,939	(254,100)	2,130,908
Equipment and other	2,861,668	237,946	(10,464)	3,089,150
Total accumulated depreciation	<u>11,698,412</u>	<u>1,014,981</u>	<u>(302,938)</u>	<u>12,410,455</u>
Total capital assets being depreciated, net	<u>11,483,774</u>	<u>(122,923)</u>	<u>(82,100)</u>	<u>11,278,751</u>
Total capital assets, net	<u>\$ 12,486,960</u>	<u>\$ 1,155,383</u>	<u>\$ (994,049)</u>	<u>\$ 12,648,294</u>

In fiscal year 2019, the Authority retired 182 units of the 5000-series railcars, resulting in a net loss of \$81.2 million, relating to the remaining net book value of the assets at the time of disposal. The Authority incurred an additional loss of \$86.0 million relating to the retirement, which was calculated based on the respective federal interest of the net book value using Federal Transit Administration's approved useful life.

Also, during the fiscal year, MWAA donated 14 non-revenue vehicles valued at \$0.6 million and \$6.7 million was received as additional associated cost on the 64 railcars donated in fiscal year 2018. The State of Maryland donated a portion of land at New Carrollton with an assessed value of \$3.7 million.

Additions to construction in progress include capitalized labor of approximately \$239.0 million in fiscal year 2019.

7. Capital Assets (continued)

	June 30, 2017	Additions	Reductions	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 534,949	\$ -	\$ (313)	\$ 534,636
Construction in progress	265,813	990,748	(788,011)	468,550
Total capital assets not being depreciated	<u>800,762</u>	<u>990,748</u>	<u>(788,324)</u>	<u>1,003,186</u>
Capital assets being depreciated:				
Buildings and improvements	1,016,203	1,897	(1,761)	1,016,339
Transit facilities	13,138,997	306,207	(49,026)	13,396,178
Revenue vehicles	4,142,731	520,972	(115,151)	4,548,552
Equipment and other	4,188,378	87,923	(55,184)	4,221,117
Total capital assets being depreciated	<u>22,486,309</u>	<u>916,999</u>	<u>(221,122)</u>	<u>23,182,186</u>
Less accumulated depreciation for:				
Buildings and improvements	533,750	36,100	(1,201)	568,649
Transit facilities	5,761,902	444,152	(49,028)	6,157,026
Revenue vehicles	1,930,124	272,385	(91,440)	2,111,069
Equipment and other	2,675,276	241,568	(55,176)	2,861,668
Total accumulated depreciation	<u>10,901,052</u>	<u>994,205</u>	<u>(196,845)</u>	<u>11,698,412</u>
Total capital assets being depreciated, net	<u>11,585,257</u>	<u>(77,206)</u>	<u>(24,277)</u>	<u>11,483,774</u>
Total capital assets, net	<u>\$ 12,386,019</u>	<u>\$ 913,542</u>	<u>\$ (812,601)</u>	<u>\$ 12,486,960</u>

During the fiscal year ended June 30, 2018, the Authority retired the 4000-series railcars resulting in a net loss of \$23.2 million. Also, during the fiscal year, MWAA donated 64 units of the 7000-series railcars totaling \$127.0 million for Phase 2 of the Silver Line.

Additions to construction in progress include capitalized labor of approximately \$187.8 million in fiscal year 2018.

8. Due to Other Governments

The current amounts due to other governments as of June 30, 2019 and June 30, 2018 are as follows (in thousands):

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Due to Jurisdictions:		
Parking garage surcharges	\$ 34,735	\$ 35,446
Reimbursable advances	33,397	42,348
Federal share of capital asset disposals	<u>100,635</u>	<u>15,811</u>
Total due to other governments	<u>\$ 168,767</u>	<u>\$ 93,605</u>

9. Short and Long-Term Liabilities

Changes in short and long-term liabilities for the years ended June 30, 2019 and 2018 are as follows (in thousands):

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due within one year</u>
Long-term liabilities:					
Bonds payable:					
Series 2009A	\$ 18,705	\$ -	\$ (9,125)	\$ 9,580	\$ 9,580
Series 2009B	55,000	-	-	55,000	55,000
Series 2016A	170,000	-	(170,000)	-	-
Series 2017A1	148,515	-	-	148,515	-
Series 2017A2	48,855	-	-	48,855	-
Series 2017B	496,500	-	-	496,500	10,970
Series 2018	-	239,920	-	239,920	-
Net unamortized premium (discount)	<u>130,244</u>	<u>30,864</u>	<u>(12,324)</u>	<u>148,784</u>	<u>-</u>
Total bonds payable	<u>1,067,819</u>	<u>270,784</u>	<u>(191,449)</u>	<u>1,147,154</u>	<u>75,550</u>
Compensated absences	76,836	79,695	(72,985)	83,546	73,180
Litigation and claims	189,212	50,215	(30,502)	208,925	59,149
Retainage on contracts	<u>26,164</u>	<u>14,172</u>	<u>(17,078)</u>	<u>23,258</u>	<u>10,714</u>
Total long-term liabilities	<u>\$ 1,360,031</u>	<u>\$ 414,866</u>	<u>\$ (312,014)</u>	<u>\$ 1,462,883</u>	<u>\$ 218,593</u>

9. Short and Long-Term Liabilities (continued)

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due within one year</u>
Short-term liabilities:					
Lines of credit	\$ 150,000	\$ -	\$ (150,000)	\$ -	\$ -
Long-term liabilities:					
Bonds payable:					
Series 2009A	\$ 192,910	\$ -	\$ (174,205)	\$ 18,705	\$ 9,125
Series 2009B	55,000	-	-	55,000	-
Series 2016A	220,000	-	(50,000)	170,000	170,000
Series 2017A1	-	148,515	-	148,515	-
Series 2017A2	-	48,855	-	48,855	-
Series 2017B	-	496,500	-	496,500	-
Net unamortized premium (discount)	15,731	134,755	(20,242)	130,244	-
Total bonds payable	483,641	828,625	(244,447)	1,067,819	179,125
Compensated absences	92,082	70,812	(86,058)	76,836	58,477
Tax advantage lease agreements	152,081	-	(152,081)	-	-
Litigation and claims	165,038	57,717	(33,543)	189,212	48,815
Retainage on contracts	19,215	13,867	(6,918)	26,164	7,555
Total long-term liabilities	<u>\$ 912,057</u>	<u>\$ 971,021</u>	<u>\$ (523,047)</u>	<u>\$ 1,360,031</u>	<u>\$ 293,972</u>

(a) Lines of Credit

During fiscal year 2018, the Authority entered into four "364 day" lines of credit, which expired on May 28, 2019. The four lines of credit were extended to May 28, 2020. The total amount available under the lines of credit is \$350.0 million. The availability fees and accrued interest are payable both monthly and quarterly, depending on the lender and on the terms of the agreements. Accrued interest is computed based on the one-month LIBOR, plus a margin of less than 50 basis points, on average. The lines of credit were collateralized by security interests in all of the Authority's gross revenues.

At June 30, 2019 and 2018, there were no outstanding balances on the four lines of credit.

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable

The Authority may issue bonds pursuant to the Compact and the Bond Resolution of the Authority. The following bonds are outstanding at June 30, 2019 and 2018 (in thousands):

	June 30, 2019		
	Principal	Unamortized premium (discount)	Net
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	\$ 9,580	\$ -	\$ 9,580
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(745)	54,255
Series 2017A1, 5.000% dated July 12, 2017, due semi-annually through July 1, 2032	148,515	24,564	173,079
Series 2017A2, 5.000% dated July 12, 2017, due semi-annually through July 1, 2034	48,855	8,870	57,725
Series 2017B, 5.000% dated August 17, 2017 due semi-annually through July 1, 2042	496,500	86,277	582,777
Series 2018, 5.000% dated December 18, 2018 due semi-annually through July 1, 2043	239,920	29,818	269,738
	<u>\$ 998,370</u>	<u>\$ 148,784</u>	<u>\$ 1,147,154</u>

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable (continued)

	June 30, 2018		
	Principal	Unamortized premium (discount)	Net
Series 2009A, 4.677% dated June 9, 2009, due semi-annually through July 1, 2032	\$ 18,705	\$ 704	\$ 19,409
Series 2009B, 4.749% dated June 9, 2009, due semi-annually through July 1, 2034	55,000	(791)	54,209
Series 2016A, 4.359% dated June 8, 2016, due semi-annually through July 1, 2019	170,000	1,751	171,751
Series 2017A1, 5.000% dated July 12, 2017, due semi-annually through July 1, 2032	148,515	27,725	176,240
Series 2017A2, 5.000% dated July 12, 2017, due semi-annually through July 1, 2034	48,855	9,350	58,205
Series 2017B, 5.000% dated August 17, 2017 due semi-annually through July 1, 2042	496,500	91,505	588,005
	<u>\$ 937,575</u>	<u>\$ 130,244</u>	<u>\$ 1,067,819</u>

i) Series 2009 Bonds

On June 9, 2009, the Authority issued \$242.7 million of the Series 2009A Gross Revenue Transit Bonds, with an average interest rate of 4.677%, to retire a portion of commercial paper notes payable. The Authority also issued \$55.0 million of the 2009B Gross Revenue Transit Bonds, with an average net interest rate of 4.749%. The 2009B Funds were used to finance capital cost components for the Authority's Metro Matters Programs. The 2009B Gross Revenue Transit Bonds were issued under the Build America Bond (BAB) Program.

The American Recovery and Reinvestment Act of 2009 created the BAB program, which authorizes state and local governments (Municipal Issuers) to issue BABs as taxable bonds in 2009 and 2010 to finance any capital expenditures for which they otherwise could issue tax-exempt governmental bonds. The Municipal Issuers receive a direct federal subsidy payment for a portion of their borrowing costs on BABs equal to 35.0% of the total coupon interest paid to investors.

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable (continued)

ii) Series 2016A Bonds

On June 8, 2016, the Authority issued \$220.0 million of the Series 2016A Gross Revenue Transit Bonds, with an average interest rate of 4.359%, primarily to finance capital costs.

The Authority was required to make semi-annual payments of principal and interest on these bonds. The final payment on the outstanding bonds was made on July 2, 2018. A gain of \$1.8 million was recognized related to the unamortized premium and is reported in other nonoperating revenues on the Statements of Revenues, Expenses and Changes in Net Position.

iii) Series 2017 Bonds

On July 12, 2017, the Authority issued Gross Revenue Transit Refunding Bonds Series 2017A1 totaling \$148.5 million, and Series 2017A2 totaling \$48.9 million (collectively referred to as the Series 2017A Refunding Bonds).

The Series 2017A Refunding Bonds will be repaid with the gross revenues of the Authority, and were issued with a 5.000% coupon, payable semi-annually on January 1, and July 1 each year. Principal payments on the 2017A1 and 2017A2 bonds are due annually from July 1, 2020 through July 1, 2032 and July 1, 2020 through July 1, 2034, respectively. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of July 12, 2017.

Series 2017A1 Advance Refunding

The Series 2017A1 Bonds were issued to refund a portion of the Series 2009A Gross Revenue Transit Bonds. Proceeds from the sale of the 2017A1 bonds were placed into an irrevocable trust that will be used to defease \$165.5 million of the old debt, resulting in \$4.1 million in deferred loss on debt defeasance and the liability being removed from the Statements of Net Position during fiscal year 2018. The difference in cash flows between the old debt and the new debt was \$28.1 million, which resulted in an economic gain totaling \$23.5 million.

As of June 30, 2019 and 2018, \$165.5 million of principal remained outstanding on the defeased Series 2009A bonds.

Series 2017A2 Crossover Advance Refunding

The Series 2017A2 bonds were issued as a crossover refunding of the Series 2009B bonds, which will not be legally defeased until July 1, 2019. Proceeds from the sale of the 2017A2 bonds were placed in a crossover escrow fund to be invested in certain authorized investments. Such investments will be structured to pay the price of the Series 2009B Bonds when called on July 1, 2019 (the crossover date) and the interest coming due on the principal amount of the 2017A2 bonds on the crossover date.

As of June 30, 2019 and 2018, \$56.2 million and \$57.3 million, respectively, held in escrow to defease the Series 2009B Bonds when called on the crossover refunding date is reported as investments held with fiscal agent on the Statements of Net Position.

9. Short and Long-Term Liabilities (continued)

(b) Bonds Payable (continued)

iii) Series 2017 Bonds (continued)

Series 2017B Gross Revenue Transit Bonds

On August 17, 2017, the Authority issued Gross Revenue Transit Bonds Series 2017B totaling \$496.5 million, primarily to finance capital costs.

The Series 2017B bonds will be repaid with the gross revenues of the Authority and were issued with a 5.000% coupon, payable semi-annually on January 1 and July 1 each year. Principal payments are due annually from July 1, 2019 through July 1, 2042. The uninsured bond ratings were AA- from Standard and Poor's and AA- from Fitch as of August 17, 2017.

iv) Series 2018 Bonds

On December 18, 2018, the Authority issued Gross Revenue Transit Bonds Series 2018 totaling \$239.9 million, primarily to finance capital costs.

The Series 2018 Bonds will be repaid with the gross revenues of the Authority, and were issued with a 5.000% coupon, payable semi-annually on January 1, and July 1 each year. Principal payments are due annually from July 1, 2020 through July 1, 2043. The uninsured ratings of the bonds were AA- from Standard and Poor's and AA- from Fitch as of December 18, 2018.

(c) Bond Covenants

The Authority must comply with certain covenants associated with outstanding bonds, the more significant of which are as follows:

- The Authority must punctually pay principal and interest according to provisions in the bond document.
- An event of default occurs if payment is not punctually made and continues for a period of 30 days; however, such failure or refusal shall have continued for a period of 60 days after written notice, unless the Trustee shall agree in writing to an extension of such time prior to its expiration. If the event of default is not remedied, either the trustee or the owners of the bonds may declare the principle and interest to be due and payable immediately.
- Except for certain instances, the Authority cannot sell, mortgage, lease, or otherwise dispose of transit system assets without filing a certification by the General Manager/Chief Executive Officer and Treasurer with the Trustee and Bond Insurers that such action will not impede or restrict the operation of the transit system.
- The Authority must maintain certain insurance or self-insurance covering the assets and operations of the transit system at all times.
- For the Series 2009A bonds, the Authority must file annual financial information with the Trustee and other entities, which includes audited financial statements, the Comprehensive Annual Financial Report, and certain other financial information and operating data, within 120 days of the fiscal year end. For all subsequent bond issues, the Authority must file annual financial information with the Trustees by December 31 following the end of the fiscal year.

9. Short and Long-Term Liabilities (continued)

(d) Bonds Debt Service Requirements

Debt service requirements for the bonds payable as of June 30, 2019 are as follows (in thousands):

Fiscal Year:	<u>Principal</u>	<u>Interest</u>
2020	\$ 75,550	\$ 49,013
2021	26,000	45,491
2022	27,315	44,158
2023	28,695	42,758
2024	30,155	41,287
2025–2029	175,330	181,615
2030–2034	224,675	131,862
2035–2039	205,900	76,055
2040–2044	204,750	23,155
	<u>998,370</u>	<u>635,394</u>
Net unamortized premium (discount)	148,784	-
	<u><u>\$ 1,147,154</u></u>	<u><u>\$ 635,394</u></u>

(e) Pledged Revenues

Gross Revenues

The Authority has pledged certain gross revenues to repay the Series 2018, 2017A Refunding Bonds, and the Series 2017B, 2016A, 2009A, and 2009B Gross Revenue Transit Bonds, collectively referred to as Transit Bonds. Gross revenues are defined in the official statements of the Transit Bonds as all revenues which include the Authority's operating revenues, jurisdictional subsidies and exclusive of parking revenues, lease-related revenues, capital contributions, and federal subsidies.

Gross revenues recognized as defined by the Transit Bonds' indentures for the years ended June 30, 2019 and 2018 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Passenger revenues	\$ 685,701	\$ 711,257
Other pledged revenues	79,812	59,175
Jurisdictional and federal subsidies	1,070,271	1,058,495
Total gross revenues	<u><u>\$ 1,835,784</u></u>	<u><u>\$ 1,828,927</u></u>

9. Short and Long-Term Liabilities (continued)

(e) Pledged Revenues (continued)

Debt Service

Principal and interest payments on the Transit Bonds for the years ended June 30, 2019 and 2018 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Debt service principal and interest:		
Interest	\$ 45,454	\$ 43,655
Principal	179,125	58,690
Total	<u>\$ 224,579</u>	<u>\$ 102,345</u>
Percentage of debt service payment to gross revenue	12.23%	5.60%

The total principal and interest payments outstanding on the Transit Bonds is \$1.6 billion and \$1.4 billion as of June 30, 2019 and 2018, respectively.

(f) Interest Expense

Interest expense incurred during the years ended June 30, 2019 and 2018 are as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Lines of credit	\$ -	\$ 32
Bonds	45,454	43,655
Total interest expense	<u>\$ 45,454</u>	<u>\$ 43,687</u>

10. Pensions

(a) Description of Pension Plans

The Authority participates in five single-employer defined benefit pension plans (collectively referred to as the Plans) covering substantially all of its employees, as shown in the table below:

<u>Name of Plan</u>	<u>Plan Year End</u>	<u>Covered Employees</u>
WMATA Retirement (Retirement) Plan	June 30	Management and non-union employees
WMATA Transit Employees' Retirement (Local 689) Plan	June 30	Full or part-time Local 689 employees
WMATA Transit Police Retirement (Transit Police) Plan	December 31	Transit police officers and officials
WMATA Local 922 Retirement (Local 922) Plan	December 31	Full or part-time Local 922 employees
WMATA Local 2 Retirement (Local 2) Plan	June 30	Full-time Local 2 employees

Each Plan is governed by a separate Board of Trustees responsible for administering the Plans. Financial statements for each Plan may be obtained by contacting the Plan administrator in writing at Washington Metropolitan Area Transit Authority, HRCB Benefits Branch, 600 Fifth Street, NW, Washington, D.C. 20001, or by calling (202) 962-1076.

The Local 689, Transit Police, Local 922, and Local 2 Plans are governed by the terms of the respective collective bargaining agreements, which are the basis by which benefit terms and contribution requirements are established and amended.

Below is a summary of each respective Plan's membership as of June 30, 2019 and 2018:

<u>Plan membership</u>	<u>Retirement Plan</u>	<u>Local 689</u>	<u>Transit Police</u>	<u>Local 922</u>	<u>Local 2</u>	<u>Total</u>
June 30, 2019:						
Active	196	8,572	406	426	41	9,641
Inactive, receiving benefits	1,239	5,230	253	256	337	7,315
Inactive, not receiving benefits	328	1,306	106	56	47	1,843
Total membership	1,763	15,108	765	738	425	18,799

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

Plan membership	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
June 30, 2018:						
Active	226	9,139	412	411	49	10,237
Inactive, receiving benefits	1,219	4,803	250	251	332	6,855
Inactive, not receiving benefits	340	1,349	91	50	48	1,878
Total membership	1,785	15,291	753	712	429	18,970

Below is a summary of the eligible employees, benefits, and contributions and funding policy for each Plan:

i) Retirement Plan

The Retirement Plan is administered by its Board of Trustees, which is comprised of three members. Two members are appointed by management of the Authority, and one member is elected.

Eligible employees

All full-time regular management and non-union employees hired prior to January 1, 1999, and certain Transit Police Officials who are not covered by any other Authority pension plan, and Special Police Officers represented by Teamsters Local 639 are eligible to participate in the Retirement Plan.

Benefits

The normal retirement eligibility is age 65 with 5 years of credited service. The annual normal retirement benefit comprises of 1.6% of final average compensation multiplied by the number of years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit), plus 0.9% of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or after the sum of years of service plus attained age is 83 or more. The maximum normal retirement benefit is not to exceed 80% of final average compensation. The retirement plan provides retired participants annual cost of living increases, permits both early and later retirement, and provides for benefits in the event of death, disability and terminated vested employment. After five years of service, participants are 100% vested.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

i) Retirement Plan (continued)

Contributions and Funding Policy

The Authority is required to contribute pursuant to the Compact an amount equal to the actuarially determined contribution. Authority contributions totaled \$21.3 million and \$20.8 million for the years ended June 30, 2019 and 2018, respectively. Participants are not required to contribute to the Retirement Plan.

ii) Local 689

The Local 689 Plan is governed by its Retirement Allowance Committee, which consists of six members. Three members are appointed by management of the Authority and three members are appointed by the Local 689 union.

Eligible employees

Any regular full-time or part-time Authority employee, who is a member of Local 689 of the Amalgamated Transit Union, after a 90-day probationary period, is eligible to participate in the Local 689 Plan. The retirement plan is governed by the terms of the employees' collective bargaining agreement. After ten years of service, participants are 100% vested.

Benefits

The Local 689 Plan provides for normal retirement, early retirement, disability and preretirement spouse death benefits. Employees are eligible for the normal retirement allowance upon either attainment of age 70; attainment of age 65 and the completion of 10 years of continuous service; upon completion of 27 years of continuous service regardless of age; or after the sum of years of service plus attained age is 83 or more. The normal retirement monthly pension is 1.85% of the highest 4-year average monthly total compensation times the number of years of continuous service up to 27 years, plus 1.95% of average compensation times continuous service in excess of 27 years of service. The minimum benefit is \$600 monthly.

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Employee and Authority contributions totaled \$23.5 million and \$110.0 million, respectively, for the year ended June 30, 2019. Employee and Authority contributions totaled \$21.6 million and \$116.7 million, respectively, for the year ended June 30, 2018.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

iii) Transit Police

The Transit Police Retirement Plan is administered by its Board of Trustees, which is comprised of four members. Two members are appointed by management of the Authority and two members are appointed by the Fraternal Order of Police.

Eligible employees

Transit Police Officers and Transit Police Officials of the Authority are eligible to participate in the Transit Police Plan. The Plan provides retired participants annual cost of living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated vested employment disability benefits. After ten years of service, participants are 100% vested.

Benefits

The normal retirement age is upon completing 25 years of credited service, but no later than age 65. The normal retirement benefit is 2.56% of final average earnings multiplied by years of credited service. The resulting benefit, if paid following the participant's 66th birthday, will be reduced by 0.50% of final average of the highest 36 months of earnings for each year of credited service.

Contributions and Funding Policy

Employees are required to contribute 7.27% of compensation beginning October 1, 2003. The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. The Authority may limit the amount of contribution to 17.05% of gross earnings in any plan year and defer any balance. This deferral can be for no more than three consecutive plan years or for no more than four plan years out of any consecutive seven years.

Employee and Authority contributions totaled \$2.5 million and \$11.8 million, respectively, for the year ended June 30, 2019. Employee and Authority contributions totaled \$2.5 million and \$14.0 million, respectively, for the year ended June 30, 2018.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

iv) Local 922

The Local 922 Plan is administered by its Board of Trustees, which is comprised of four members. Two members are appointed by management of the Authority, and two members are appointed by the Local 922 union.

Eligible employees

All regular full-time and part-time employees, who are members of Local 922, after a 90-day probationary period, are eligible to participate in the Local 922 Plan. The Plan is governed by the terms of the employees' collective bargaining agreement. Employees are eligible for the normal pension benefits after attaining age 65 and 10 years of credited service; upon completion of 27 years of credited service regardless of age; or after the sum of years of service plus attained age is 83 or more. After ten years of service, participants are 100% vested.

Benefits

Effective for employees retiring on or after November 1, 2007, the annual retirement benefits are equal to 1.85% of the average compensation for each year (or fraction thereof based on completed months) of service up to 27 years at retirement, plus 1.95% of average compensation for each year (or fraction thereof based on completed months) of service in excess of 27 years at retirement plus 1.0% for years of service prior to May 1, 1993. The minimum benefit is \$175 monthly. The Local 922 Plan provides retired participants annual cost of living increases, permits early retirement, and provides for benefits in the event of death, disability and terminated employment.

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Based upon the collective bargaining agreement, employees contribute 3.0% of wages for periods beginning November 1, 2015 and 1.0% of wages for the period November 1, 2014 through October 31, 2015. Employee and Authority contributions totaled \$1.0 million and \$5.8 million, respectively, for the year ended June 30, 2019. Employee and Authority contributions totaled \$0.9 million and \$7.8 million, respectively, for the year ended June 30, 2018.

10. Pension Plans (continued)

(a) Description of Pension Plans (continued)

v) Local 2

The Local 2 Plan is administered by its Board of Trustees, which consists of five members. Three members are appointed by management of the Authority, and two members are appointed by the Local 2 union.

Eligible employees

All full-time employees covered by the Local 2 collective bargaining agreement hired prior to January 1, 1999 and who are not covered by any other Authority pension plan are eligible to participate in the Local 2 Plan. The Plan is governed by the Authority's Board of Directors with consideration of both the applicable union agreements and Authority personnel practices. The normal retirement eligibility is age 65 with 5 years of credited service. After five years of service, participants are 100% vested.

Benefits

The annual normal retirement benefit comprises of 1.6% of final average compensation multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit), plus 0.9% of final average compensation in excess of the Social Security breakpoint multiplied by years of credited service (including any unused sick leave as credited service for purpose of normal retirement benefit amount) not in excess of 20 years. Early retirement benefits are available upon reaching age 55 with 10 years of credited service or after the sum of years of service plus attained age is 83 or more. The maximum normal retirement benefit is not to exceed 80% of final average compensation. The Local 2 Plan provides retired participants annual cost of living increases, permits both early and later retirement, and provides for benefits in the event of death, disability, and terminated vested employment.

Contributions and Funding Policy

The Authority is required to contribute per the collective bargaining agreement an amount equal to the actuarially determined contribution. Authority contributions totaled \$4.8 million and \$4.7 million for the years ended June 30, 2019 and 2018, respectively. Participants are not required to contribute to the Local 2 Plan.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability

The Authority's total and net pension liabilities reported at June 30, 2019 and 2018 for each of the Plans were measured as of their fiscal year end dates, which were determined using the following actuarial assumptions as of each of the Plan's respective measurement dates, which coincide with each plan's fiscal year end:

	June 30, 2019				
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2
Measurement date	6/30/2018	6/30/2018	12/31/2018	12/31/2018	6/30/2018
Inflation	2.5%	2.5%	2.5%	3.0%	2.5%
Salary and wage increases	3.0% to 6.3%	3.0% to 3.5%	3.0% to 7.0%	4.5%	3.0% to 6.3%
Long-term rate of return, net of expense, including price of inflation	7.0%	7.9%	7.0%	7.0%	7.5%

	June 30, 2018				
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2
Measurement date	6/30/2017	6/30/2017	12/31/2017	12/31/2017	6/30/2017
Inflation	2.5%	2.5%	2.5%	3.0%	2.5%
Salary and wage increases	3.0% to 6.3%	3.0% to 3.5%	3.0% to 7.0%	4.0% to 4.5%	3.0% to 6.3%
Long-term rate of return, net of expense, including price of inflation	7.0%	7.9%	7.0%	7.0%	7.5%

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability (continued)

i) Retirement Plan

The RP-2000 Fully Generational Combined Mortality table (Projected w/Scale AA) was used for the mortality assumptions for the Retirement Plan fiscal years ended June 30, 2018 and 2017.

The actuarial assumptions used in the Plan's June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the period of 2009 thru 2014.

The valuation assumption of the annual non-investment end of year expense was adjusted downwards from \$135,000 to \$125,000 to better reflect recent experience.

The long-term expected rate of return of 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 (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

Asset class	Target allocation		Long-term expected real rate of return	
	2018	2017	2018	2017
Core bonds	16.0%	0.0%	3.8%	0.0%
Global asset allocation	10.0%	0.0%	6.2%	0.0%
International	22.0%	10.0%	7.8%	7.8%
Large cap	20.0%	35.0%	7.5%	7.5%
Multi-sector fixed income	20.0%	40.0%	5.1%	4.0%
Small cap	8.0%	15.0%	7.8%	7.8%
TIPS	4.0%	0.0%	3.8%	0.0%

The discount rate used to measure the Plan's total pension liability for June 30, 2018 and 2017 was 7.0%. The projection of cash flows used to determine the discount rate assumed that the Authority contributions would be made at rates equal to the actuarially determined contribution rates. Based on this assumption, 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.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability (continued)

ii) Local 689

For the Local 689 Plan fiscal years ended June 30, 2018 and 2017, the RP-2000 male and female distinct rates projected to 2018 and 2017, respectively were used for the mortality assumptions.

The actuarial assumptions used in the Plan's June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the five years ending December 31, 2013.

The long-term expected rate of return of pension plan investments was determined based on a weighted average of the expected real rates of return and the Plan's target asset allocation and by adding expected inflation (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the Local 689 Plan's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return	
		2018	2017
Large cap equities	38.0%	6.7%	6.7%
Mid cap equities	5.0%	7.3%	7.3%
Small cap equities	5.0%	7.8%	7.8%
Non-U.S. developed equities	10.0%	4.9%	4.9%
Fixed income	15.0%	2.3%	2.3%
Global tactical assets allocation	10.0%	4.6%	4.6%
Real estate	7.0%	5.5%	5.5%
Fund of hedge funds	5.0%	3.3%	3.3%
Private equity	5.0%	9.2%	9.2%

The discount rate used to measure the total pension liability for June 30, 2018 and 2017 was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and Authority contributions would continue to be made at the rates set forth in the most recent collective bargaining agreement. Based on that assumption, 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 Local 689 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability (continued)

iii) Transit Police

For the Transit Police Plan years ended December 31, 2018 and December 31, 2017, the RP-2014 Combined Healthy Blue-Collar Mortality table with generational projection by Scale MP-2015 was used for the mortality assumptions. A ten-year set forward was used for post disability mortality.

The actuarial assumptions used in the Plan's December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the five years ending January 1, 2015.

The salary improvement assumption was revised to be based on years of service rather than employee age. Salary improvement is assumed to be 7.0% for employees with under 10 years of services, 4.5% after 10 years of service, and 3.0% after 20 years of service. The administrative expense load assumption was updated from \$180,000 to the average of actual annual expenses for the two years preceding the valuation date.

The long-term expected rate of return of 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 (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation is the same as of December 31, 2018 and 2017 and are summarized in the following table:

Asset Class	Target allocation	Long-term expected real rate of return
Equity (U.S. and International)	50.0% – 70.0%	
U.S.		6.7%
International		7.2%
Fixed income	25.0% – 45.0%	
Core		2.3%
International		2.4%
Real estate	0.0% – 10.0%	4.5%

The discount rate used to measure the total pension liability was 7.0% for December 31, 2018 and 7.0% for December 31, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Authority contributions will be made according to the funding method used in the annual valuation. 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.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability (continued)

iv) Local 922

The RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA, was used for the mortality assumptions for the Local 922 Plan years ended December 31, 2018 and 2017.

The actuarial assumptions used in the Plan's December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the eight years ending December 31, 2014.

The compensation increase assumption and the cost of living assumption were adjusted to reflect the recent Memorandum of Understanding, dated February 7, 2019.

The long-term expected rate of return of 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 (3.0%).

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, 2018 and 2017 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return	
		2018	2017
Large cap equities	29.0%	7.5%	5.8%
Small/mid cap equities	6.0%	7.8%	6.0%
International equities	12.0%	7.8%	7.3%
Core bonds	23.0%	3.8%	2.7%
TIPS	5.0%	3.8%	0.0%
Global bonds	0.0%	0.0%	1.0%
Alternative investment classes	5.0%	6.5%	0.0%
Real estate and hedge funds	0.0%	0.0%	6.0%
Global asset allocations	20.0%	6.2%	6.0%

The discount rate used to measure the total pension liability for December 31, 2018 and 2017 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Authority contributions will be made according to the valuation method. 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.

10. Pension Plans (continued)

(b) Measurement of Net Pension Liability (continued)

v) Local 2

The RP-2000 Fully Generational Combined Mortality Table (Projected w/Scale AA) without collar adjustment was used for the mortality assumptions for the Plan fiscal years ended June 30, 2018 and 2017.

The actuarial assumptions used in the Plan's June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the six years ending June 30, 2014.

The valuation assumption of the annual non-investment end of year expense was adjusted upwards from \$65,000 to \$85,000 to better reflect recent experience. The salary scale assumption was adjusted to reflect the recent Memorandum of Understanding dated July 20, 2018, regarding the new labor agreement.

The long-term expected rate of return of 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 (2.5%).

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2018 and 2017 are summarized as follows:

Asset class	Target allocation		Long-term expected real rate of return	
	2018	2017	2018	2017
U.S. core fixed income	10.0%	35.0%	3.8%	4.0%
U.S. equity large cap	22.0%	32.5%	7.5%	7.5%
U.S. equity mid cap	3.0%	15.0%	7.8%	7.8%
U.S. equity small cap	5.0%	12.5%	7.8%	7.8%
International	0.0%	5.0%	0.0%	7.8%
Global equity, excluding U.S	25.0%	0.0%	8.5%	0.0%
TIPS	5.0%	0.0%	3.8%	0.0%
Multi-sector fixed income	20.0%	0.0%	5.1%	0.0%
Global asset allocation	10.0%	0.0%	6.2%	0.0%

The discount rate used to measure the total pension liability for June 30, 2018 and 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that Authority contributions would be made at rates equal to the actuarially determined contribution rates. Based on this assumption, Local 2'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.

10. Pension Plans (continued)

(c) Changes in Net Pension Liability

Changes in the Authority's net pension liabilities reported for the fiscal years ended June 30, 2019 and 2018, based on each Plan's respective measurement dates, are as follows (in thousands):

Retirement Plan

	2019		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 520,332	\$ 371,793	\$ 148,539
Changes for the year:			
Service cost	1,425	-	1,425
Interest	35,032	-	35,032
Differences between expected and actual experience	2,594	-	2,594
Contributions – employer	-	20,778	(20,778)
Net investment income	-	22,307	(22,307)
Benefit payments, including refunds of employee contributions	(42,603)	(42,603)	-
Administrative expenses	-	(102)	102
Net change	<u>(3,552)</u>	<u>380</u>	<u>(3,932)</u>
Balance, end of year	<u>\$ 516,780</u>	<u>\$ 372,173</u>	<u>\$ 144,607</u>

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 522,543	\$ 350,582	\$ 171,961
Changes for the year:			
Service cost	1,670	-	1,670
Interest	35,249	-	35,249
Differences between expected and actual experience	1,814	-	1,814
Transfer of liability from Local 2	362	-	362
Contributions – employer	-	20,349	(20,349)
Net investment income	-	42,042	(42,042)
Benefit payments, including refunds of employee contributions	(41,306)	(41,306)	-
Administrative expenses	-	(123)	123
Transfer of funds from Local 2	-	249	(249)
Net change	<u>(2,211)</u>	<u>21,211</u>	<u>(23,422)</u>
Balance, end of year	<u>\$ 520,332</u>	<u>\$ 371,793</u>	<u>\$ 148,539</u>

10. Pension Plans (continued)**(c) Changes in Net Pension Liability (continued)****Local 689**

	2019		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 3,714,341	\$ 3,054,428	\$ 659,913
Changes for the year:			
Service cost	82,170	-	82,170
Interest	285,869	-	285,869
Differences between expected and actual experience	(18,013)	-	(18,013)
Contributions – employer	-	116,653	(116,653)
Contributions – employee	-	21,727	(21,727)
Net investment income	-	299,482	(299,482)
Benefit payments, including refunds of employee contributions	(205,151)	(205,151)	-
Administrative expenses	-	(976)	976
Other	-	(100)	100
Net change	<u>144,875</u>	<u>231,635</u>	<u>(86,760)</u>
Balance, end of year	<u>\$ 3,859,216</u>	<u>\$ 3,286,063</u>	<u>\$ 573,153</u>

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 3,537,657	\$ 2,723,416	\$ 814,241
Changes for the year:			
Service cost	80,611	-	80,611
Interest	272,852	-	272,852
Differences between expected and actual experience	6,783	-	6,783
Contributions – employer	-	118,975	(118,975)
Contributions – employee	-	22,777	(22,777)
Net investment income	-	373,693	(373,693)
Benefit payments, including refunds of employee contributions	(183,562)	(183,562)	-
Administrative expenses	-	(869)	869
Other	-	(2)	2
Net change	<u>176,684</u>	<u>331,012</u>	<u>(154,328)</u>
Balance, end of year	<u>\$ 3,714,341</u>	<u>\$ 3,054,428</u>	<u>\$ 659,913</u>

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Transit Police

	2019		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 284,213	\$ 232,771	\$ 51,442
Changes for the year:			
Service cost	8,311	-	8,311
Interest	19,384	-	19,384
Differences between expected and actual experience	(5,665)	-	(5,665)
Contributions – employer	-	12,647	(12,647)
Contributions – employee	-	2,480	(2,480)
Net investment income	-	(9,469)	9,469
Benefit payments, including refunds of employee contributions	(14,581)	(14,581)	-
Administrative expenses	-	(249)	249
Net change	<u>7,449</u>	<u>(9,172)</u>	<u>16,621</u>
Balance, end of year	<u>\$ 291,662</u>	<u>\$ 223,599</u>	<u>\$ 68,063</u>

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 252,273	\$ 195,624	\$ 56,649
Changes for the year:			
Service cost	7,949	-	7,949
Interest	17,175	-	17,175
Differences between expected and actual experience	2,792	-	2,792
Changes in assumptions	17,870	-	17,870
Contributions – employer	-	12,355	(12,355)
Contributions – employee	-	2,446	(2,446)
Net investment income	-	36,453	(36,453)
Benefit payments, including refunds of employee contributions	(13,846)	(13,846)	-
Administrative expenses	-	(261)	261
Net change	<u>31,940</u>	<u>37,147</u>	<u>(5,207)</u>
Balance, end of year	<u>\$ 284,213</u>	<u>\$ 232,771</u>	<u>\$ 51,442</u>

10. Pension Plans (continued)**(c) Changes in Net Pension Liability (continued)****Local 922**

	2019		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 236,990	\$ 218,397	\$ 18,593
Changes for the year:			
Service cost	4,586	-	4,586
Interest	16,617	-	16,617
Differences between expected and actual experience	(6,819)	-	(6,819)
Contributions – employer	-	6,140	(6,140)
Contributions – employee	-	946	(946)
Net investment income	-	(7,294)	7,294
Benefit payments, including refunds of employee contributions	(8,547)	(8,547)	-
Administrative expenses	-	(200)	200
Net change	<u>5,837</u>	<u>(8,955)</u>	<u>14,792</u>
Balance, end of year	<u>\$ 242,827</u>	<u>\$ 209,442</u>	<u>\$ 33,385</u>

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 221,526	\$ 188,249	\$ 33,277
Changes for the year:			
Service cost	4,670	-	4,670
Interest	15,553	-	15,553
Differences between expected and actual experience	3,400	-	3,400
Contributions – employer	-	6,833	(6,833)
Contributions – employee	-	938	(938)
Net investment income	-	30,712	(30,712)
Benefit payments, including refunds of employee contributions	(8,159)	(8,159)	-
Administrative expenses	-	(176)	176
Net change	<u>15,464</u>	<u>30,148</u>	<u>(14,684)</u>
Balance, end of year	<u>\$ 236,990</u>	<u>\$ 218,397</u>	<u>\$ 18,593</u>

10. Pension Plans (continued)

(c) Changes in Net Pension Liability (continued)

Local 2

	2019		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 167,110	\$ 146,241	\$ 20,869
Changes for the year:			
Service cost	322	-	322
Interest	12,045	-	12,045
Differences between expected and actual experience	(658)	-	(658)
Changes in assumptions	575	-	575
Contributions – employer	-	4,700	(4,700)
Net investment income	-	10,864	(10,864)
Benefit payments, including refunds of employee contributions	(13,658)	(13,658)	-
Administrative expenses	-	(96)	96
Net change	<u>(1,374)</u>	<u>1,810</u>	<u>(3,184)</u>
Balance, end of year	<u>\$ 165,736</u>	<u>\$ 148,051</u>	<u>\$ 17,685</u>

	2018		
	Total pension liability	Plan fiduciary net position	Net pension liability
Balance, beginning of year	\$ 168,107	\$ 136,930	\$ 31,177
Changes for the year:			
Service cost	464	-	464
Interest	12,166	-	12,166
Differences between expected and actual experience	(577)	-	(577)
Transfer of liability to Retirement Plan	(348)	-	(348)
Contributions – employer	-	4,748	(4,748)
Net investment income	-	17,581	(17,581)
Benefit payments, including refunds of employee contributions	(12,702)	(12,702)	-
Administrative expenses	-	(67)	67
Transfer of funds to Retirement Plan	-	(249)	249
Net change	<u>(997)</u>	<u>9,311</u>	<u>(10,308)</u>
Balance, end of year	<u>\$ 167,110</u>	<u>\$ 146,241</u>	<u>\$ 20,869</u>

10. Pension Plans (continued)

(d) Pension Deferred Outflows and Inflows of Resources

At June 30, 2019 and 2018, the Authority reported deferred outflows and inflows of resources for the respective Plans as follows (in thousands):

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Retirement Plan:		
Differences between projected and actual investment earnings	\$ 2,878	\$ -
Contributions made after the measurement date	21,269	-
Subtotal	<u>24,147</u>	<u>-</u>
Local 689:		
Differences between projected and actual investment earnings	-	49,992
Differences between expected and actual experience	27,851	32,885
Changes in assumptions	-	7,015
Contributions made after the measurement date	110,043	-
Subtotal	<u>137,894</u>	<u>89,892</u>
Transit Police:		
Differences between projected and actual investment earnings	9,513	-
Differences between expected and actual experience	1,994	8,236
Changes in assumptions	15,140	-
Contributions made after the measurement date	5,995	-
Subtotal	<u>32,642</u>	<u>8,236</u>
Local 922:		
Differences between projected and actual investment earnings	10,808	-
Differences between expected and actual experience	2,222	5,455
Changes in assumptions	464	-
Contributions made after the measurement date	3,070	-
Subtotal	<u>16,564</u>	<u>5,455</u>
Local 2:		
Differences between projected and actual investment earnings	-	657
Contributions made after the measurement date	4,806	-
Subtotal	<u>4,806</u>	<u>657</u>
Total deferred outflows of resources and inflows of resources		
Differences between projected and actual investment earnings	23,199	50,649
Differences between expected and actual experience	32,067	46,576
Changes in assumptions	15,604	7,015
Contributions made after the measurement date	145,183	-
Total	<u>\$ 216,053</u>	<u>\$ 104,240</u>

10. Pension Plans (continued)**(d) Pension Deferred Outflows and Inflows of Resources (continued)**

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Retirement Plan:		
Differences between projected and actual investment earnings	\$ -	\$ 2,606
Contributions made after the measurement date	20,778	-
Subtotal	<u>20,778</u>	<u>2,606</u>
Local 689:		
Differences between projected and actual investment earnings	-	21,409
Differences between expected and actual experience	37,453	21,145
Changes in assumptions	-	8,610
Contributions made after the measurement date	116,653	-
Subtotal	<u>154,106</u>	<u>51,164</u>
Transit Police:		
Differences between projected and actual investment earnings	-	12,482
Differences between expected and actual experience	2,394	4,156
Changes in assumptions	18,168	-
Contributions made after the measurement date	6,876	-
Subtotal	<u>27,438</u>	<u>16,638</u>
Local 922:		
Differences between projected and actual investment earnings	-	6,703
Differences between expected and actual experience	3,014	-
Changes in assumptions	927	-
Contributions made after the measurement date	3,417	-
Subtotal	<u>7,358</u>	<u>6,703</u>
Local 2:		
Differences between projected and actual investment earnings	-	2,168
Contributions made after the measurement date	4,700	-
Subtotal	<u>4,700</u>	<u>2,168</u>
Total deferred outflows of resources and inflows of resources		
Differences between projected and actual investment earnings	-	45,368
Differences between expected and actual experience	42,861	25,301
Changes in assumptions	19,095	8,610
Contributions made after the measurement date	152,424	-
Total	<u>\$ 214,380</u>	<u>\$ 79,279</u>

Deferred outflows of resources from contributions made after the measurement date for each of the Plans reflected in the above tables as of June 30, 2019 and 2018 will be recognized as a reduction in the net pension liability in the fiscal years ending June 30, 2020 and June 30, 2019, respectively.

10. Pension Plans (continued)

(d) Pension Deferred Outflows and Inflows of Resources (continued)

Amounts reported as deferred outflows and inflows of resources related to pensions for the respective Plans (exclusive of the deferred outflows of resources from contributions made after the measurement date) will be recognized in pension expense based on each respective Plan's measurement dates as follows (in thousands):

As of June 30,	Deferred Outflows (Inflows)					
	Retirement Plan	Local 689	Transit Police	Local 922	Local 2	Total
2020	\$ 3,745	\$ 13,092	\$ 5,652	\$ 4,037	\$ 848	\$ 27,374
2021	1,591	(1,709)	1,783	550	110	2,325
2022	(3,051)	(46,980)	2,449	310	(1,569)	(48,841)
2023	593	(19,711)	6,996	3,142	(46)	(9,026)
2024	-	(3,919)	2,340	-	-	(1,579)
Thereafter	-	(2,814)	(809)	-	-	(3,623)
	<u>\$ 2,878</u>	<u>\$ (62,041)</u>	<u>\$ 18,411</u>	<u>\$ 8,039</u>	<u>\$ (657)</u>	<u>\$ (33,370)</u>

(e) Pension Expense

Pension expense recognized by the Authority for the fiscal years ended June 30, 2019 and 2018 is as follows (in thousands):

Plan:	Pension Expense	
	2019	2018
Retirement Plan	\$ 11,362	\$ 12,032
Local 689	78,223	102,437
Transit Police	14,781	10,496
Local 922	10,131	8,068
Local 2	5	362
Total	<u>\$ 114,502</u>	<u>\$ 133,395</u>

10. Pension Plans (continued)

(f) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for each Plan, calculated using each Plan's discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of each Plan's measurement date (in thousands):

Plan	Discount rate	As of June 30, 2019		
		1% Decrease	Current rate	1% Increase
Retirement Plan	7.0%	\$ 192,507	\$ 144,607	\$ 103,531
Local 689	7.9%	1,049,370	573,153	173,826
Transit Police	7.0%	108,790	68,063	34,749
Local 922	7.0%	66,548	33,385	6,151
Local 2	7.5%	32,648	17,685	4,778
Total net pension liability		\$ 1,449,863	\$ 836,893	\$ 323,035

Plan	Discount rate	As of June 30, 2018		
		1% Decrease	Current rate	1% Increase
Retirement Plan	7.0%	\$ 197,739	\$ 148,539	\$ 106,422
Local 689	7.9%	1,124,824	659,913	271,615
Transit Police	7.0%	91,409	51,442	18,789
Local 922	7.0%	51,206	18,593	(8,166)
Local 2	7.5%	36,297	20,869	7,589
Total net pension liability		\$ 1,501,475	\$ 899,356	\$ 396,249

(g) Deferred Compensation

The Authority offers a deferred compensation plan for all active employees under the terms of the Internal Revenue Section 457(g). Under the 457 plan, employees are permitted to defer up to 100% of salary, on a pretax basis, not to exceed limits prescribed in the Internal Revenue Code. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. The Authority does not match employees' contributions to the 457 plan.

10. Pension Plans (continued)

(h) Defined Contribution Retirement Plan

The Authority offers a defined contribution retirement plan, WMATA Defined Contribution Retirement Plan and Trust, for salaried employees under the terms of the Internal Revenue Code 401(a). The 401(a) plan, adopted on December 10, 1998 for employees hired on or after January 1, 1999, provides for the Authority to contribute an amount equivalent to 4% of the employee's base salary into a trust. The employee is not required to contribute into the 401(a) plan; however, if the employee contributes up to 3% of base salary to the 457 plan, the Authority will contribute an additional amount of up to 3% to the 401(a) plan to equal the employee's contribution to the 457 plan.

Employees are 100% vested after three years of service. A year of vesting is 1,000 hours of service in a calendar year. There is no interim vesting. Accrued 401(a) benefits will be paid to the employee (or rolled over) upon leaving Authority employment any time after full vesting.

The provisions of the 401(a) plan can be amended by the Board. This right to amend the 401(a) plan is subject to the condition that all of the plan assets be used exclusively for the benefit of the participants, retired participants and their beneficiaries under the 401(a) plan.

The Authority contributed \$11.2 million and \$10.0 million for the years ended June 30, 2019 and 2018, respectively.

11. Other Postemployment Benefits

(a) Description of OPEB Plans

The Authority participates in a single-employer defined benefit OPEB plan (WMATA Healthcare Plan) which provides medical, dental, life insurance, accidental death, short-term disability, and long-term disability to management, union and non-represented active and inactive employees and their dependents. In April 2018, the Authority established a qualified trust for the WMATA Healthcare Plan.

The Authority's Board of Trustees has the authority to establish and amend benefit terms and contribution requirements for management and non-represented employees. The collective bargaining agreements govern the benefit terms and contribution requirements for Local 689, Transit Police, Special Police, and Local 2 employees, and are the basis by which benefit terms and contribution requirements are established and amended.

Below is a summary of the WMATA Healthcare Plan's membership as of June 30, 2019 and 2018:

<u>Plan Membership</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Active	18,176	18,176
Inactive, receiving benefits	11,492	11,492
Total membership	<u>29,668</u>	<u>29,668</u>

11. Other Postemployment Benefits (continued)

(a) Description of OPEB Plans (continued)

Eligible employees and benefits

Authority employees, dependent children, and surviving spouses are eligible to continue in the Authority's group insurance coverage upon retirement. The Authority's contributions towards the premiums, participant deductibles, participant copayments, and participant out-of-pocket maximum costs depends on the group insurance plan offered under the collective bargaining agreement, and the type of group insurance plan selected by the employee. The surviving spouse and dependent children who are covered under any of the Authority sponsored health plans have the right to continue coverage upon the death of the Authority employee or retiree. The life insurance benefit for Local 2, Transit Police, Special Police, and the non-represented employees is half of the base salary upon retirement, with a maximum benefit of \$50,000. Beginning on the retiree's 66th birthday, the life insurance benefit is reduced by 10% each year. The life insurance benefit for Local 689 employees is a flat \$10,000 after retirement.

Local 689 and Local 2 employees hired on or after January 1, 2010 and non-represented employees hired on or after January 1, 2017 are not entitled to receive retiree health benefits.

The amount of benefits paid by the Authority for the WMATA Healthcare Plan during the fiscal years ended June 30, 2019 and 2018 was \$58.3 million and \$59.2 million, respectively.

Contributions and Funding Policy

The Authority administers the WMATA Healthcare Plan on a pay-as-you-go basis and additional ad-hoc funding contributions based upon budgetary results at the end of each fiscal year. The Authority made ad-hoc funding contributions totaling \$10.0 million and \$3.0 million to the WMATA Healthcare Plan during the fiscal years ended June 30, 2019 and 2018, respectively, to accumulate assets to fund the OPEB liability. Employees are not required to contribute to the WMATA Healthcare Plan.

11. Other Postemployment Benefits (continued)

(b) Measurement of Net OPEB Liability

The Authority's net OPEB liabilities reported at June 30, 2019 and 2018, respectively, were determined using actuarial valuations as of June 30, 2018 and 2017, which is the WMATA Healthcare Plan's fiscal year end. The net OPEB liability for the WMATA Healthcare Plan was determined using the following measurement dates and actuarial assumptions:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement date	6/30/2018	6/30/2017
Actuarial valuation date	6/30/2017	6/30/2017
Salary and wage increases	4.5%	4.5%
Health care cost trend rate:		
Pre-65 years old	7.8%	7.9%
65 years and older	8.4%	8.5%
Discount rate	3.87%	3.58%
Mortality tables used	RP2014 Blue Collar Mortality Table, fully generational projected using Scale MP-2015	RP2014 Blue Collar Mortality Table, fully generational projected using Scale MP-2015
Date of experience study on which significant assumptions were based	4/4/2018	4/4/2018

The changes in the assumptions during the fiscal year ended June 30, 2019 reflect the changes in the discount rate, which was increased from 3.58% to 3.87%. The changes in the benefit terms during the fiscal year ended June 30, 2018 reflect reduction in coverage for the Local 2 and non-represented employees from 80% to 75%. The health care cost trend rate assumptions were based on the national average information available from the Standard and Poor's Healthcare Economic Index, National Health Expenditure data, plan renewal data and vendor prescription reports, with adjustments based on provisions of the benefits provided with the Authority. Multiple healthcare cost trend rate assumptions were used for different benefit components and participant groups (pre-65 and post 65 age groups).

11. Other Postemployment Benefits (continued)

(b) Measurement of Net OPEB Liability (continued)

The healthcare cost trend rates used to calculate the net OPEB liability as of June 30, 2019 and 2018 are as follows:

<u>Year</u>	<u>Pre-65</u>	<u>Post-65</u>
2017 to 2018	7.9%	8.5%
2018 to 2019	7.8%	8.4%
2019 to 2020	7.4%	8.0%
2020 to 2021	7.0%	7.5%
2021 to 2022	6.6%	7.0%
2022 to 2023	6.2%	6.6%
2023 to 2024	5.8%	6.1%
2024 to 2025	5.4%	5.6%
2025 to 2026	4.9%	5.0%
2026 to 2027+	4.5%	4.5%

As of the June 30, 2018 measurement date, the best estimate of real rates of return for each major asset class included in the WMATA Healthcare Plan's target asset allocation is summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Large cap equities (Domestic)	26.0%	7.5%
Small cap equities (Domestic)	10.0%	8.8%
International equity (Developed)	13.0%	8.5%
Emerging markets	5.0%	9.8%
Private equity	5.0%	10.2%
Fixed income	21.0%	2.9%
Diversified hedge fund	10.0%	5.3%
Real assets	10.0%	5.0%

The WMATA Healthcare Plan assets are not sufficient to achieve a long-term rate of return to cover the WMATA Healthcare Plan liabilities, therefore the municipal bond rate was used for all periods to project the actuarial present value of benefit payments. The municipal bond rate was obtained from the Bond Buyer General Obligation 20-Bond Municipal Bond Index and was 3.87% and 3.58% for the fiscal years ended June 30, 2019 and 2018, respectively.

11. Other Postemployment Benefits (continued)

(c) Changes in Net OPEB Liability

Changes in the Authority's net OPEB liability based on the measurement date for the fiscal years ended June 30, 2019 and 2018, respectively, are as follows (in thousands):

	2019		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balance, beginning of year	\$ 2,148,549	\$ -	\$ 2,148,549
Changes for the year:			
Service cost	58,829	-	58,829
Interest on the net OPEB liability	78,075	-	78,075
Changes in assumptions	(108,094)	-	(108,094)
Benefit payments	(53,461)	(53,461)	-
Contribution-employer	-	56,461	(56,461)
Net investment income	-	1	(1)
Net change	<u>(24,651)</u>	<u>3,001</u>	<u>(27,652)</u>
Balance, end of year	<u>\$ 2,123,898</u>	<u>\$ 3,001</u>	<u>\$ 2,120,897</u>

	2018		
	Total OPEB liability	Plan fiduciary net position	Net OPEB liability
Balance, beginning of year	\$ 2,266,318	\$ -	\$ 2,266,318
Changes for the year:			
Service cost	74,229	-	74,229
Interest on the net OPEB liability	66,012	-	66,012
Differences between expected and actual experience	182,842	-	182,842
Changes in benefit terms	(58,194)	-	(58,194)
Changes in assumptions	(333,670)	-	(333,670)
Benefit payments	<u>(48,988)</u>	<u>-</u>	<u>(48,988)</u>
Net change	<u>(117,769)</u>	<u>-</u>	<u>(117,769)</u>
Balance, end of year	<u>\$ 2,148,549</u>	<u>\$ -</u>	<u>\$ 2,148,549</u>

In fiscal year 2018 the Authority established a qualified trust for the WMATA Healthcare Plan and contributed \$3.0 million to begin accumulating assets to fund the liability as of June 30, 2019.

The WMATA Healthcare Plan was not administered through a qualified trust as of June 30, 2017, the measurement date, therefore there were no assets accumulated for the net OPEB liability as of June 30, 2018.

11. Other Postemployment Benefits (continued)

(d) OPEB Expense

OPEB expense recognized by the Authority for the fiscal years ended June 30, 2019 and 2018 was \$89.8 million and \$55.9 million, respectively.

(e) OPEB Deferred Outflows and Inflows of Resources

Deferred outflows of resources from contributions made after the measurement date for OPEB as of June 30, 2019 and 2018 will be recognized as a reduction in the net OPEB liability in the fiscal years ending June 30, 2020 and June 30, 2019, respectively.

Amounts reported as deferred outflows and inflows of resources related to OPEB (exclusive of the deferred outflows of resources from contributions made after the measurement date) will be recognized in OPEB expense based on the measurement date.

At June 30, 2019 and 2018, the Authority reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 119,452	\$ -
Contributions after measurement date	68,338	-
Changes in assumptions	-	305,119
Total	<u>\$ 187,790</u>	<u>\$ 305,119</u>

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual experience	\$ 151,099	\$ -
Contributions after measurement date	59,233	-
Changes in assumptions	-	275,741
Total	<u>\$ 210,332</u>	<u>\$ 275,741</u>

11. Other Postemployment Benefits (continued)

(e) OPEB Deferred Outflows and Inflows of Resources (continued)

Contributions after the measurement date will be recognized in OPEB expense in its entirety in the subsequent year. All other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows (in thousands):

As of June 30,	Deferred Outflows (Inflows)
2020	\$ (46,949)
2021	(46,949)
2022	(46,949)
2023	(40,661)
2024	(4,159)
	\$ (185,667)

(f) Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

i) Health Care Cost Trend Sensitivity

The following presents the Authority's net OPEB liability as of June 30, 2019 and 2018 calculated using health care cost trend rates as of June 30, 2018 and 2017, respectively, as well as what the amounts would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as of the WMATA Healthcare Plan's measurement date (in thousands):

	Net OPEB Liability *		
	1% Decrease	Current Rate	1% Increase
As of June 30, 2019	\$ 1,787,997	\$ 2,120,897	\$ 2,551,798

	Net OPEB Liability*		
	1% Decrease	Current Rate	1% Increase
As of June 30, 2018	\$ 1,817,183	\$ 2,148,549	\$ 2,578,471

* Multiple health care cost trend rates were used to calculate the net OPEB liability. See Note 11(b) for the rates.

11. Other Postemployment Benefits (continued)

(f) Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate (continued)

ii) Discount Rate Sensitivity

The discount rate used was obtained from the yield or index rate for a 20-year tax exempt general obligation municipal bond with an average rating of AA/Aa or higher from the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

The following presents the net OPEB liability as of June 30, 2019 and 2018, calculated using the WMATA Healthcare Plan's discount rate, as well as what the amounts would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, as of the Plan's measurement date (in thousands):

	<u>Discount Rate</u>	<u>Net OPEB Liability</u>		
		<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
As of June 30, 2019	3.87%	<u>\$ 2,500,070</u>	<u>\$ 2,120,897</u>	<u>\$ 1,821,722</u>

	<u>Discount Rate</u>	<u>Net OPEB Liability</u>		
		<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
As of June 30, 2018	3.58%	<u>\$ 2,547,541</u>	<u>\$ 2,148,549</u>	<u>\$ 1,835,597</u>

(g) Defined Benefit Plan

The Authority contributes to the Teamsters Local 922 Employers Health Trust Plan (Health Trust), which is a cost-sharing multiple-employer defined benefit health and welfare plan that provides life insurance, hospitalization, surgical, medical disability, dental, vision care, pharmaceutical care, and major medical benefits to eligible participants and their qualified dependents. All active employees, retirees age 52 or older with at least 15 years of service, and disabled retirees with at least 10 years of service are eligible to participate in the Health Trust, if employed by a Local 922 participating employer. The benefits under the Health Trust terminate when the participant is eligible for Medicare.

The Health Trust is administered by a Joint Board of Trustees consisting of two Local 922 union representatives and two employer representatives and is governed by the terms of the Local 922 collective bargaining agreement. Plan provisions may be amended through negotiation between the Authority and the Local 922 union. Retiree health benefits were discontinued for the Authority's Local 922 union employees hired on or after January 1, 2012.

At June 30, 2019 and 2018, the Authority had 39 and 43 participants, respectively, covered under the Health Trust.

11. Other Postemployment Benefits (continued)

(g) Defined Benefit Plan (continued)

The Health Trust provides benefits to both employees of government and nongovernment employers. Accordingly, the Health Trust is subject to the Employee Retirement Income and Security Act of 1974 and follows accounting standards promulgated by the Financial Accounting Standards Board. The Health Trust issues a publicly available financial report which may be obtained by contacting the Health Trust administrator in writing at 7130 Columbia Gateway Drive, Suite A, Columbia, MD 21046, or by calling (410) 872-9500.

For the fiscal year ended June 30, 2018 and for the fiscal year 2019 up to February 28, 2019, the Authority was required to contribute \$800 per month for each participant. Effective March 1, 2019, the required contribution amount was adjusted to \$900 per month. The Authority's contributions were \$0.4 million and \$0.4 million for the fiscal years ended June 30, 2019 and 2018, respectively.

The Local 922 collective bargaining agreement expired on October 31, 2016. The Authority and the Local 922 union agreed to the terms of a new agreement on February 7, 2019 which included scheduled increases for wages.

12. Commitments and Contingencies

(a) Litigation and Claims

i) Insured Claims

The Authority is exposed to liability for third party bodily injury and property damage; injury to its employees arising out of and in the course of their employment; physical damage to and loss of its property; and liability for financial loss as a result of decisions and judgments made by the Authority. The Authority carries various types of insurance coverage with varying limits through commercial insurers for these risks, subject to the following self-insured retentions (SIRs) and deductibles. The Authority self-insures for the following:

- 1) Third party bodily injury, and property damage liability claims up to \$5.0 million per occurrence;
- 2) Pollution claims up to \$3.0 million except \$5.0 million for hostile fire;
- 3) Workers compensation claims up to \$2.5 million per occurrence;
- 4) First party (the Authority) property and business interruption loss up to \$10.0 million for derailment, \$5.0 million for track and roadbed stations and tunnels; and up to \$1.0 million for all other loss or damage;
- 5) Directors and officers, employment practices liability, fiduciary liability, crime (including employee dishonesty), and privacy/network security liability claims up to \$1.0 million per occurrence; and
- 6) Medical facilities liability claims up to \$0.3 million per occurrence.

Loss occurrences are reported to the commercial insurers when it is determined that the loss is covered by insurance and when the loss results in severe bodily injury (e.g., death, dismemberment, brain damage, paralysis, etc.) or when the loss is valued at 50% or more of the SIR or deductible. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

12. Commitments and Contingencies (continued)

(a) Litigation and Claims (continued)

i) Insured Claims (continued)

Liabilities include an amount for claims that have been incurred but not reported and incremental claims adjustment expenses which are net of salvage and subrogation. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. Estimated loss values are adjusted as the claims develop. The reserve for estimated losses is evaluated annually by an independent actuary who determines the total litigation claims to be included in the Statements of Net Position. Claim settlements have not exceeded insurance coverage for each of the three most recent years.

The actuarially developed liability for the years ended June 30, 2019 and 2018, discounted at 1.25%, is as follows (in thousands):

	<u>2019</u>	<u>2018</u>
Estimated net present value of the liability for litigation and claims, beginning of year	\$ 189,212	\$ 165,038
Incurred new claims	50,215	57,717
Changes in estimate for claims of prior periods	28,836	7,356
Payments on claims	<u>(59,338)</u>	<u>(40,899)</u>
Estimated net present value of the liability for litigation and claims, end of year	<u>\$ 208,925</u>	<u>\$ 189,212</u>
Due within one year	<u>\$ 59,149</u>	<u>\$ 48,815</u>

ii) Insured Claims \$1.0 Million and Greater

Third Party Claims

As of June 30, 2019 and 2018, there were seven and 10 liability claims, respectively, with estimated losses greater than \$1.0 million falling within the \$5.0 million SIR.

Workers' Compensation

As of June 30, 2019 and 2018, there were seven and six, respectively, workers' compensation claims with estimated losses greater than \$1.0 million, with an aggregate total of \$9.6 million and \$8.4 million, respectively.

Directors and Officers/Employment Practices Liability

As of June 30, 2019 and 2018, the Authority has one and zero claim, respectively, pending with an estimated loss exceeding the \$1.0 million SIR.

12. Commitments and Contingencies (continued)

(a) Litigation and Claims (continued)

iii) Uninsured Claims \$1.0 Million and Greater

As of June 30, 2019 and 2018, there were one and two contractor claims, respectively, that if supported by an adverse ruling could each exceed \$9.0 million.

(b) Operating Leases

The Authority has entered into various operating leases for office space within the District of Columbia, State of Maryland and Commonwealth of Virginia. The terms of the various leases have a time span ranging from four to 20 years, with various option years and escalating increases over the lease periods. Additionally, the Authority leases space within the District of Columbia, Maryland and Virginia for various communications and testing equipment used throughout the Metro system.

Rent expense for the fiscal years ended June 30, 2019 and 2018 was \$8.2 million and \$5.9 million, respectively.

The Authority's minimum future lease payments for non-cancelable operating leases, as of June 30, 2019 are as follows (in thousands):

Fiscal year:	<u>Total</u>
2020	\$ 6,807
2021	5,472
2022	4,558
2023	2,357
2024	1,098
2025-2029	1,536
2030-2033	705
	<u>\$ 22,533</u>

(c) Hedging Derivative Instrument

The Authority entered into a contract to purchase a minimum of diesel fuel, and at the same time entered into a fuel swap agreement to hedge the price of the diesel fuel contract. The diesel fuel contract and the related swap agreement allow the Authority to manage its diesel fuel expense, limit exposure to price volatility and improve budget stability.

Payment between the swap parties is the difference between the swap price per gallon and the unweighted arithmetic mean of the daily settlement prices for Ultra Low Sulfur Diesel – New York Harbor (NYMEX) closing price of the first nearby month.

12. Commitments and Contingencies (continued)

(c) Hedging Derivative Instrument (continued)

The fair value of the swap is estimated by a mathematical approximation of the market, derived from proprietary models as of a given date, and based on certain assumptions regarding past, present, and future market conditions, as well as certain financial information. The change in fair values for the swap agreements are reported as either deferred outflows of resources or deferred inflows of resources, as applicable, on the Statements of Net Position.

The following table shows the terms and a summary of the fair value of the diesel fuel swap agreements as of June 30, 2019 and 2018:

	<u>Per Calculation Effective Date</u>	<u>Period Maturity Date</u>	<u>Monthly Notional Gallons</u>	<u>Annual Notional Gallons</u>	<u>Fair Value (in thousands)</u>
June 30, 2019	July 1, 2020	June 30, 2020	520,795 - 706,847	7,300,000	\$ (968)
June 30, 2018	July 1, 2019	June 30, 2019	545,411 - 740,298	7,645,460	\$ 3,098

The Authority is exposed to credit risk when swap fair values are positive. To mitigate the credit risk, the Authority entered into swap agreements with counterparties with long-term investment grade ratings by Standard and Poor's, Moody's, and Fitch.

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. In addition, if at the time of the termination the swap has negative fair value, the Authority would be liable to the counterparty for a payment equal to the fair value.

(d) Labor Contracts

As of June 30, 2019 and 2018, 80.6% and 82.0%, respectively, of the Authority's labor force were covered by five labor contracts. As of June 30, 2019, one of the contracts was expired and in negotiations, and as of June 30, 2018 all contracts were expired.

As of June 30, 2019, accrued salaries and benefits on the Statements of Net Position included an estimated \$1.8 million related to settlement of the expired contract. As of June 30, 2018 accrued salaries and benefits included an estimated \$23.3 million related to settlement of all expired contracts.

(e) Construction and Capital Commitments

Construction and capital improvement costs are funded by federal grants, jurisdictional matching funds, third party agreements, and debt. As of June 30, 2019 and 2018, respectively, the Authority had committed to expend \$272.9 million and \$221.8 million on future construction, capital improvement and other miscellaneous projects.

The Authority's federal grants are subject to review and audit by the grantor agencies. Construction and capital improvement costs funded with these resources are generally conditioned upon compliance with the terms and conditions of the grant agreements and federal regulations. Any disallowance of such costs is not expected to be material.

13. Tax Advantage Lease Agreements

During fiscal year 1999, the Authority entered into 13 contracts to lease the Authority's interest in 680 railcars and simultaneously subleased the railcars back. At settlement, these railcars had a fair value of \$1.2 billion and a net book value of \$226.3 million. During fiscal year 2003, the Authority entered into two additional contracts to sublease 78 railcars valued at \$194.1 million and had a net book value of \$66.8 million. During fiscal year 2004, the Authority entered into a contract to sublease 48 railcars valued at \$130.8 million and had a net book value of \$78.8 million.

Trusts were created coincident to these transactions to serve as the lessee/sublessor. Under the sublease agreements, the Authority retained the right to use the railcars and was responsible for their continued maintenance and insurance. The Authority's sublease arrangements were originally recorded at present value of the future lease payments and were recognized on the Statements of Net Position as obligations under tax advantage lease agreements.

On January 4, 2018 and on November 16, 2017, the Authority entered into agreements to terminate the two remaining lease agreements and removed the remaining balances of \$113.5 million of assets for the prefunded tax advantage leases and \$113.5 million of obligations under tax advantage leases from the Statements of Net Position. The Authority recognized a gain totaling approximately \$0.5 million, which was recorded as a capital contribution on the Statements of Revenues, Expenses, and Changes in Net Position.

As of June 30, 2018, all 16 railcar lease agreements were terminated, resulting in no outstanding balances for tax advantage leases on the Statements of Net Position as of June 30, 2019 and 2018.

14. Subsequent Events

The Series 2009B Gross Revenue Transit Bonds were called on the crossover refunding date, July 1, 2019. Principle and interest payments totaling \$56.9 million were made from the restricted investment with fiscal agent and unrestricted cash and cash equivalents to pay the remaining balance of the bonds.

15. Change in Accounting Principle

Certain fiscal year 2018 amounts reported in the financial statements were adjusted to reflect a change in accounting principle related to the recording of receivables on the Statements of Net Position. Prior to 2018, the Authority recorded a receivable equal to certain losses, litigation and claims, and compensated absences, which was based on an interpretation of the jurisdictional funding commitments established in the Compact.

In fiscal year 2019, management reevaluated the jurisdictional funding commitments in the Compact and revenue recognition criteria of US GAAP and determined that not recording these receivables would result in a more consistent and better presentation of the amount due from the jurisdictions.

15. Change in Accounting Principle (continued)

As of and for the fiscal year ended June 30, 2018, amounts adjusted as a result of the change in accounting principle in the Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position, respectively, are as follows:

	Net Position beginning of year	Current Assets - Accounts receivable, net of allowance, and other assets	Noncurrent Assets - Due from other governments	Nonoperating Revenues (Expenses) - Jurisdictional subsides
Balance, as previously reported	\$ 8,721,920	\$ 236,870	\$ 224,327	\$ 992,196
Cumulative effect of change in accounting principle	(329,414)	(38,788)	(224,327)	66,299
Balance, as adjusted	<u>\$ 8,392,506</u>	<u>\$ 198,082</u>	<u>\$ -</u>	<u>\$ 1,058,495</u>

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Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
WMATA Retirement Plan:					
Total pension liability:					
Service cost	\$ 1,425	\$ 1,670	\$ 1,797	\$ 1,953	\$ 1,815
Interest	35,032	35,249	35,549	36,104	37,268
Changes of benefit terms	-	362	736	(1,102)	477
Differences between expected and actual experience	2,594	1,814	(1,710)	(5,072)	(2,896)
Changes in assumptions	-	-	-	-	53,908
Benefit payments, including refunds of employee contributions	(42,603)	(41,306)	(39,760)	(39,542)	(42,032)
Net change in total pension liability	(3,552)	(2,211)	(3,388)	(7,659)	48,540
Total pension liability – beginning	<u>520,332</u>	<u>522,543</u>	<u>525,931</u>	<u>533,590</u>	<u>485,050</u>
Total pension liability – ending	<u>\$ 516,780</u>	<u>\$ 520,332</u>	<u>\$ 522,543</u>	<u>\$ 525,931</u>	<u>\$ 533,590</u>
Plan fiduciary net position:					
Contributions - employer	\$ 20,778	\$ 20,349	\$ 19,877	\$ 20,398	\$ 20,585
Net investment income	22,307	42,042	1,896	14,698	56,703
Benefit payments, including refunds of member contributions	(42,603)	(41,306)	(39,760)	(39,542)	(42,032)
Administrative expenses	(102)	(123)	(135)	(16)	(19)
Transfer of funds (to)/from Local 2 Plan	-	249	438	(1,078)	312
Net change in total pension liability	380	21,211	(17,684)	(5,540)	35,549
Plan fiduciary net position - beginning	<u>371,793</u>	<u>350,582</u>	<u>368,266</u>	<u>373,806</u>	<u>338,257</u>
Plan fiduciary net position - ending	<u>\$ 372,173</u>	<u>\$ 371,793</u>	<u>\$ 350,582</u>	<u>\$ 368,266</u>	<u>\$ 373,806</u>
Net pension liability	\$ 144,607	\$ 148,539	\$ 171,961	\$ 157,665	\$ 159,784
Plan fiduciary net position as a percentage of the total pension liability	72.02%	71.45%	67.09%	70.02%	70.05%
Covered payroll	\$ 15,366	\$ 17,899	\$ 21,492	\$ 23,265	\$ 23,674
Net pension liability as a percentage of covered payroll	941.08%	829.87%	800.12%	677.69%	674.93%

* Data reported for fiscal years 2019, 2018, 2017, 2016 and 2015 is based on the WMATA Retirement Plan's measurement dates of June 30, 2018, 2017, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015 or prior to the measurement date of June 30, 2014, were not available and accordingly, not included in the schedule.

* During fiscal year 2019, the valuation assumption of the annual non-investment end of year expense was adjusted downwards from \$135 thousand to \$125 thousand to better reflect recent experience.

Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Transit Employee Retirement (Local 689) Plan:					
Total pension liability:					
Service cost	\$ 82,170	\$ 80,611	\$ 78,200	\$ 71,473	\$ 66,090
Interest	285,869	272,852	260,365	251,235	234,275
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(18,013)	6,783	(2,484)	(29,971)	66,534
Changes in assumptions	-	-	-	(13,395)	-
Benefit payments, including refunds of employee contributions	(205,151)	(183,562)	(171,814)	(159,466)	(146,158)
Net change in total pension liability	<u>144,875</u>	<u>176,684</u>	<u>164,267</u>	<u>119,876</u>	<u>220,741</u>
Total pension liability – beginning	<u>3,714,341</u>	<u>3,537,657</u>	<u>3,373,390</u>	<u>3,253,514</u>	<u>3,032,773</u>
Total pension liability – ending	<u>\$ 3,859,216</u>	<u>\$ 3,714,341</u>	<u>\$ 3,537,657</u>	<u>\$ 3,373,390</u>	<u>\$ 3,253,514</u>
Plan fiduciary net position:					
Contributions - employer	\$ 116,653	\$ 118,975	\$ 127,516	\$ 136,075	\$ 123,234
Contributions - employee	21,727	22,777	22,183	6,894	-
Net investment income	299,482	373,693	4,441	130,680	405,761
Benefit payments, including refunds of member contributions	(205,151)	(183,562)	(171,814)	(159,466)	(146,158)
Administrative expenses	(976)	(869)	(873)	(865)	(947)
Other	(100)	(2)	(46)	-	(333)
Net change in total pension liability	<u>231,635</u>	<u>331,012</u>	<u>(18,593)</u>	<u>113,318</u>	<u>381,557</u>
Plan fiduciary net position - beginning	<u>3,054,428</u>	<u>2,723,416</u>	<u>2,742,009</u>	<u>2,628,691</u>	<u>2,247,134</u>
Plan fiduciary net position - ending	<u>\$ 3,286,063</u>	<u>\$ 3,054,428</u>	<u>\$ 2,723,416</u>	<u>\$ 2,742,009</u>	<u>\$ 2,628,691</u>
Net pension liability	\$ 573,153	\$ 659,913	\$ 814,241	\$ 631,381	\$ 624,823
Plan fiduciary net position as a percentage of the total pension liability	85.15%	82.23%	76.98%	81.28%	80.80%
Covered employee payroll	\$ 759,138	\$ 775,487	\$ 762,642	\$ 745,231	\$ 710,331
Net pension liability as a percentage of covered payroll	75.50%	85.10%	106.77%	84.72%	87.96%

* Data reported for fiscal years 2019, 2018, 2017, 2016 and 2015 is based on the Local 689 Plan's measurement dates of June 30, 2018, 2017, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of June 30, 2014, were not available and accordingly, not included in the schedule.

Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Transit Police Retirement Plan:					
Total pension liability:					
Service cost	\$ 8,311	\$ 7,949	\$ 6,772	\$ 6,094	\$ 5,824
Interest	19,384	17,175	17,469	16,900	16,250
Differences between expected and actual experience	(5,665)	2,792	(2,221)	(2,726)	(1,415)
Changes in assumptions	-	17,870	3,802	-	-
Benefit payments, including refunds of employee contributions	<u>(14,581)</u>	<u>(13,846)</u>	<u>(12,943)</u>	<u>(12,406)</u>	<u>(11,573)</u>
Net change in total pension liability	7,449	31,940	12,879	7,862	9,086
Total pension liability – beginning	<u>284,213</u>	<u>252,273</u>	<u>239,394</u>	<u>231,532</u>	<u>222,446</u>
Total pension liability – ending	<u>\$ 291,662</u>	<u>\$ 284,213</u>	<u>\$ 252,273</u>	<u>\$ 239,394</u>	<u>\$ 231,532</u>
Plan fiduciary net position:					
Contributions - employer	\$ 12,647	\$ 12,355	\$ 9,778	\$ 8,748	\$ 8,737
Contributions - employee	2,480	2,446	2,408	2,407	2,463
Net investment income	(9,469)	36,453	16,784	(5,396)	13,201
Benefit payments, including refunds of member contributions	(14,581)	(13,846)	(12,943)	(12,406)	(11,573)
Administrative expenses	<u>(249)</u>	<u>(261)</u>	<u>(250)</u>	<u>(252)</u>	<u>(210)</u>
Net change in total pension liability	(9,172)	37,147	15,777	(6,899)	12,618
Plan fiduciary net position - beginning	<u>232,771</u>	<u>195,624</u>	<u>179,847</u>	<u>186,746</u>	<u>174,128</u>
Plan fiduciary net position- ending	<u>\$ 223,599</u>	<u>\$ 232,771</u>	<u>\$ 195,624</u>	<u>\$ 179,847</u>	<u>\$ 186,746</u>
Net pension liability	\$ 68,063	\$ 51,442	\$ 56,649	\$ 59,547	\$ 44,786
Plan fiduciary net position as a percentage of the total pension liability	76.66%	81.90%	77.54%	75.13%	80.66%
Covered payroll	\$ 35,853	\$ 34,485	\$ 34,265	\$ 34,122	\$ 35,412
Net pension liability as a percentage of covered payroll	189.84%	149.17%	165.33%	174.51%	126.47%

* Data reported for fiscal years 2019, 2018, 2017, 2016 and 2015 is based on the WMATA Transit Police Retirement Plan's measurement dates of December 31, 2018, 2017, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of December 31, 2014 were not available and accordingly, not included in the schedule.

* During fiscal year 2018, the salary improvement assumption was revised to be based on years of service rather than employee age. Salary improvement is assumed to be 7.0% for employees with under 10 years of services, 4.5% after 10 years of service, and 3.0% after 20 years of service.

* During fiscal year 2018, the administrative expense load assumption was updated from \$180 thousand to the average of actual annual expenses for the two years preceding the valuation date.

Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(continued)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Local 922 Retirement Plan:					
Total pension liability:					
Service cost	\$ 4,586	\$ 4,670	\$ 4,493	\$ 4,463	\$ 4,767
Interest	16,617	15,553	14,717	13,757	12,832
Differences between expected and actual experience	(6,819)	3,400	347	213	-
Changes in assumptions	-	-	-	2,318	-
Benefit payments, including refunds of employee contributions	(8,547)	(8,159)	(7,438)	(6,809)	(6,092)
Net change in total pension liability	5,837	15,464	12,119	13,942	11,507
Total pension liability – beginning	236,990	221,526	209,407	195,465	183,958
Total pension liability – ending	<u>\$ 242,827</u>	<u>\$ 236,990</u>	<u>\$ 221,526</u>	<u>\$ 209,407</u>	<u>\$ 195,465</u>
Plan fiduciary net position:					
Contributions - employer	\$ 6,140	\$ 6,833	\$ 5,803	\$ 5,583	\$ 5,634
Contributions - employee	946	938	963	369	41
Net investment income	(7,294)	30,712	11,553	(2,275)	7,801
Benefit payments, including refunds of member contributions	(8,547)	(8,159)	(7,438)	(6,809)	(6,092)
Administrative expenses	(200)	(176)	(258)	(219)	(172)
Net change in total pension liability	(8,955)	30,148	10,623	(3,351)	7,212
Plan fiduciary net position - beginning	218,397	188,249	177,626	180,977	173,765
Plan fiduciary net position – ending	<u>\$ 209,442</u>	<u>\$ 218,397</u>	<u>\$ 188,249</u>	<u>\$ 177,626</u>	<u>\$ 180,977</u>
Net pension liability	\$ 33,385	\$ 18,593	\$ 33,277	\$ 31,781	\$ 14,488
Plan fiduciary net position as a percentage of the total pension liability	86.25%	92.15%	84.98%	84.82%	92.59%
Covered payroll	\$ 31,915	\$ 32,578	\$ 31,066	\$ 30,251	\$ 32,324
Net pension liability as a percentage of covered payroll	104.61%	57.07%	107.12%	105.06%	44.82%

* Data reported for fiscal years 2019, 2018, 2017, 2016 and 2015 is based on the Local 922 Plan's measurement dates of December 31, 2018, 2017, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of December 31, 2014 were not available and accordingly, not included in the schedule.

* During fiscal year 2019, the compensation increase assumption and the cost of living assumption were adjusted to reflect the recent Memorandum of Understanding, dated February 7, 2019 regarding the new collective bargaining agreement.

Schedule of Changes in Net Pension Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 4
(concluded)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Local 2 Retirement Plan:					
Total pension liability:					
Service cost	\$ 322	\$ 464	\$ 572	\$ 676	\$ 664
Interest	12,045	12,166	12,321	12,300	11,780
Transfer of funds to Retirement Plan				-	-
Changes in benefit terms	-	(348)	(699)	1,028	(446)
Differences between expected and actual experience	(658)	(577)	(1,952)	(2,115)	5,817
Changes in assumptions	575	-	-	-	10,168
Benefit payments, including refunds of employee contributions	(13,658)	(12,702)	(11,689)	(11,324)	(11,153)
Net change in total pension liability	<u>(1,374)</u>	<u>(997)</u>	<u>(1,447)</u>	<u>565</u>	<u>16,830</u>
Total pension liability – beginning	<u>167,110</u>	<u>168,107</u>	<u>169,554</u>	<u>168,989</u>	<u>152,159</u>
Total pension liability – ending	<u>\$ 165,736</u>	<u>\$ 167,110</u>	<u>\$ 168,107</u>	<u>\$ 169,554</u>	<u>\$ 168,989</u>
Plan fiduciary net position:					
Contributions - employer	\$ 4,700	\$ 4,748	\$ 4,824	\$ 5,156	\$ 4,758
Net investment income	10,864	17,581	2,006	6,684	22,493
Benefit payments, including refunds of member contributions	(13,658)	(12,702)	(11,689)	(11,324)	(11,153)
Administrative expenses	(96)	(67)	(99)	(74)	(7)
Transfer of funds (to)/from Retirement Plan	-	(249)	(438)	1,078	(312)
Net change in total pension liability	<u>1,810</u>	<u>9,311</u>	<u>(5,396)</u>	<u>1,520</u>	<u>15,779</u>
Plan fiduciary net position - beginning	<u>146,241</u>	<u>136,930</u>	<u>142,326</u>	<u>140,806</u>	<u>125,027</u>
Plan fiduciary net position - ending	<u>\$ 148,051</u>	<u>\$ 146,241</u>	<u>\$ 136,930</u>	<u>\$ 142,326</u>	<u>\$ 140,806</u>
Net pension liability	\$ 17,685	\$ 20,869	\$ 31,177	\$ 27,228	\$ 28,183
Plan fiduciary net position as a percentage of the total pension liability	89.33%	87.51%	81.45%	83.94%	83.32%
Covered payroll	\$ 4,089	\$ 4,930	\$ 7,290	\$ 9,052	\$ 9,954
Net pension liability as a percentage of covered payroll	432.50%	423.31%	427.67%	300.80%	283.13%

See accompanying notes to the required supplementary information.

* Data reported for fiscal years 2019, 2018, 2017, 2016 and 2015 is based on the Local 2 Plan's measurement dates of June 30, 2018, 2017, 2016, 2015 and 2014, respectively, from the most recent actuarial valuation accounting disclosures report. Changes in the net pension liability for the fiscal years prior to 2015, or prior to the measurement date of June 30, 2014 were not available and accordingly, not included in the schedule.

* During fiscal year 2019, the valuation assumption of the annual non-investment end of year expense was adjusted upwards from \$65 thousand to \$85 thousand to better reflect recent experience. Also during fiscal year 2019, the salary scale assumption was adjusted to reflect the Memorandum of Understanding, dated July 20, 2018, regarding the new collective bargaining agreement.

Schedule of Employer Contributions – Pension Plans *
Last Ten Fiscal Years
(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
WMATA Retirement Plan:					
Actuarially determined contribution	\$ 21,269	\$ 20,778	\$ 20,349	\$ 19,877	\$ 20,398
Contributions in relation to the actuarially determined contribution	21,269	20,778	20,349	19,877	20,398
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	Not Available	\$ 15,366	\$ 17,899	\$ 21,492	\$ 23,265
Contributions as a percentage of covered payroll	Not Available	135.22%	113.69%	92.49%	87.68%
Transit Employees' Retirement (Local 689) Plan:					
Actuarially determined contribution	\$ 110,043	\$ 116,653	\$ 118,975	\$ 127,516	\$ 136,075
Contributions in relation to the actuarially determined contribution	110,043	116,653	118,975	127,516	136,075
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	Not Available	\$ 759,138	\$ 775,487	\$ 762,642	\$ 745,231
Contributions as a percentage of covered payroll	Not Available	15.37%	15.34%	16.72%	18.26%
Transit Police Retirement Plan:					
Actuarially determined contribution	\$ 12,319	\$ 12,501	\$ 11,067	\$ 9,263	\$ 8,742
Contributions in relation to the actuarially determined contribution	11,766	13,974	10,662	8,747	8,742
Contribution deficiency (excess)	<u>\$ 553</u>	<u>\$ (1,473)</u>	<u>\$ 405</u>	<u>\$ 516</u>	<u>\$ -</u>
Covered payroll	\$ 35,413	\$ 35,853	\$ 34,485	\$ 34,243	\$ 35,412
Contributions as a percentage of covered payroll	33.23%	38.98%	30.92%	25.54%	24.69%

* Contribution data reported represents the amounts the Authority contributed to each respective Plan during the Authority's fiscal years ended June 30, which was obtained from the Plans' most recent actuarial valuations. Covered payroll in fiscal year 2019 was not available in the most recent actuarial valuations for the WMATA Retirement and Local 689 Plans.

Exhibit 5
(continued)

2014	2013	2012	2011	2010	
\$ 20,585	\$ 19,998	\$ 18,416	\$ 17,884	\$ 17,716	WMATA Retirement Plan:
					Actuarially determined contribution
20,585	19,998	15,469	20,832	17,718	Contributions in relation to the actuarially determined contribution
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,947</u>	<u>\$ (2,948)</u>	<u>\$ (2)</u>	Contribution deficiency (excess)
\$ 23,674	\$ 25,327	\$ 26,551	\$ 27,200	\$ 29,321	Covered payroll
86.95%	78.96%	58.26%	76.59%	60.43%	Contributions as a percentage of covered payroll
					Transit Employees' Retirement (Local 689) Plan
\$ 123,234	\$ 95,552	\$ 71,717	\$ 56,721	\$ 48,386	Actuarially determined contribution
123,234	99,581	72,149	61,129	48,440	Contributions in relation to the actuarially determined contribution
<u>\$ -</u>	<u>\$ (4,029)</u>	<u>\$ (432)</u>	<u>\$ (4,408)</u>	<u>\$ (54)</u>	Contribution deficiency (excess)
\$ 710,331	\$ 634,996	\$ 578,278	\$ 557,491	\$ 547,005	Covered payroll
17.35%	15.68%	12.48%	10.97%	8.86%	Contributions as a percentage of covered payroll
					Transit Police Retirement Plan:
\$ 8,594	\$ 7,944	\$ 7,954	\$ 7,843	\$ 7,503	Actuarially determined contribution
8,594	7,944	7,954	7,843	7,503	Contributions in relation to the actuarially determined contribution
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Contribution deficiency (excess)
\$ 34,086	\$ 32,976	\$ 30,351	\$ 31,507	\$ 31,083	Covered payroll
25.21%	24.09%	26.21%	24.89%	24.14%	Contributions as a percentage of covered payroll

Schedule of Employer Contributions – Pension Plans *
Last Ten Fiscal Years
(in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Local 922 Retirement Plan:					
Actuarially determined contribution	\$ 5,462	\$ 6,487	\$ 6,318	\$ 5,694	\$ 5,194
Contributions in relation to the actuarially determined contribution	5,794	7,832	5,430	5,558	5,194
Contribution deficiency (excess)	<u>\$ (332)</u>	<u>\$ (1,345)</u>	<u>\$ 888</u>	<u>\$ 136</u>	<u>\$ -</u>
Covered payroll	\$ 32,016	\$ 31,915	\$ 32,578	\$ 31,066	\$ 30,251
Contributions as a percentage of covered payroll	18.10%	24.54%	16.67%	17.89%	17.17%
Local 2 Retirement Plan:					
Actuarially determined contribution	\$ 4,806	\$ 4,700	\$ 4,748	\$ 4,824	\$ 5,156
Contributions in relation to the actuarially determined contribution	4,806	4,700	4,748	4,824	5,156
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	Not Available	\$ 4,089	\$ 4,930	\$ 7,290	\$ 9,052
Contributions as a percentage of covered payroll	Not Available	114.94%	96.31%	66.17%	56.96%

See accompanying notes to the required supplementary information.

* Contribution data reported represents the amounts the Authority contributed to each respective Plan during the Authority's fiscal years ended June 30, which was obtained from the Plans' most recent actuarial valuations. Covered payroll in fiscal year 2019 was not available in the most recent actuarial valuation for the Local 2 Plan.

**Exhibit 5
(concluded)**

2014	2013	2012	2011	2010	
\$ 6,920	\$ 5,583	\$ 6,203	\$ 5,363	\$ 5,868	Local 922 Retirement Plan:
					Actuarially determined contribution
6,920	5,583	6,203	5,363	5,868	Contributions in relation to the actuarially determined contribution
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	Contribution deficiency (excess)
\$ 32,324	\$ 29,593	\$ 27,065	\$ 26,543	\$ 25,400	Covered payroll
21.41%	18.87%	22.92%	20.20%	23.10%	Contributions as a percentage of covered payroll
\$ 4,758	\$ 4,822	\$ 4,966	\$ 5,103	\$ 5,456	Local 2 Retirement Plan:
					Actuarially determined contribution
4,758	4,822	4,093	5,975	5,456	Contributions in relation to the actuarially determined contribution
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873</u>	<u>\$ (872)</u>	<u>\$ -</u>	Contribution deficiency (excess)
\$ 9,954	\$ 10,583	\$ 11,521	\$ 12,852	\$ 13,764	Covered payroll
47.80%	45.56%	35.53%	46.49%	39.64%	Contributions as a percentage of covered payroll

Schedule of Changes in Net OPEB Liability
Last Ten Fiscal Years *
(in thousands)

Exhibit 6

	<u>2019</u>	<u>2018</u>	<u>2017</u>
WMATA Healthcare Plan:			
Total OPEB liability:			
Service cost	\$ 58,829	\$ 74,229	\$ 54,562
Interest	78,075	66,012	72,064
Changes of benefit terms	-	(58,194)	-
Differences between expected and actual experience	-	182,842	348,360
Changes in assumptions	(108,094)	(333,670)	-
Benefit payments	<u>(53,461)</u>	<u>(48,988)</u>	<u>(51,337)</u>
Net change in total OPEB liability	(24,651)	(117,769)	423,649
Total OPEB liability – beginning	<u>2,148,549</u>	<u>2,266,318</u>	<u>1,842,669</u>
Total OPEB liability – ending	<u><u>\$ 2,123,898</u></u>	<u><u>\$ 2,148,549</u></u>	<u><u>\$ 2,266,318</u></u>
Plan fiduciary net position:			
Contributions - employer	\$ 56,461	\$ -	\$ -
Net investment income	1	-	-
Benefit payments, including refunds of member contributions	<u>(53,461)</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	3,001	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending	<u><u>\$ 3,001</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability	\$ 2,120,897	\$ 2,148,549	\$ 2,266,318
Plan fiduciary net position as a percentage of the total OPEB liability	0.14%	0.00%	0.00%
Covered payroll	\$ 583,000	\$ 558,000	\$ 627,000
Net OPEB liability as a percentage of covered payroll	363.79%	385.04%	361.45%

See accompanying notes to the required supplementary information.

* Amounts reported for the Authority's fiscal years ended June 30 2019, 2018 and 2017 are based on the WMATA Healthcare Plan's fiscal years ended June 30, 2018, 2017 and 2016, respectively, which are the measurement dates used by the Authority.

* The WMATA Healthcare Plan began to be administered through a qualified trust effective for its fiscal year ended June 30, 2018. Changes in the net OPEB liability for the fiscal years prior to 2017, or prior to the measurement date of June 30, 2016, were not available and accordingly, are not included in the schedule.

* Local 689 and Local 2 employees hired on or after January 1, 2010, and non-represented employees hired on or after January 1, 2017 are not entitled to retiree health benefits and therefore, are not included in the covered payroll as of July 1, 2017.

**Schedule of Employer Required Contributions –
Teamsters Local 922 Employers Health Trust Plan
Last Ten Fiscal Years ***
(in thousands)

Exhibit 7

Fiscal Year Ending	Required Contribution
June 30, 2019	\$ 385
June 30, 2018	\$ 414
June 30, 2017	\$ 301

See accompanying notes to the required supplementary information.

* Employer contributions for fiscal years prior to 2017 were not available and therefore not included in the schedule.

Notes to the Required Supplementary Information

1. Pension Plans

Ten-year historical trend information of the pension plans is presented as required supplementary information. This information is intended to help users assess each plan's funding status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and enhance the comparability of the information with other pension plans. This information is reported as of the measurement date.

Analysis of the dollar amounts of plan fiduciary net position, total pension liability, and net pension liability in isolation can be misleading. Expressing plan net position as a percentage of the total pension liability provides one indication of each plan's funding status. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the plan.

Trends in the net pension liability and covered payroll are both affected by inflation. Expressing the net pension liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the plan.

Additional information pertaining to the retirement plans' can be found in Note 10 to the basic financial statements.

(a) Schedule of Changes in Net Pension Liability

The Schedule of Changes in Net Pension Liability and related ratios illustrates whether each plan's net position is increasing or decreasing over time relative to the total pension liability and the net pension liability as it relates to covered payroll.

This schedule is intended to show information for 10 years. The changes in the net pension liability for years prior to the fiscal year ending June 30, 2015 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

(b) Schedule of Employer Contributions – Pension Plans

The Schedule of Employer Contributions provides the actuarially determined contribution for each plan. The actuarially determined contribution rates are calculated as of the respective plans' fiscal year end, one year prior to the beginning of the fiscal year in which contributions are reported. For example, the Authority's actuarially determined contribution for the fiscal year ending June 30, 2019 is based on the July 1, 2018 funding valuation provided by the Authority's actuary.

On the following pages are the significant assumptions used to determine the actuarially determined contributions for each defined benefit single employer pension plan.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

WMATA Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization		Assumed Rate of Return	Inflation Rate	Salary Increases
				Method	Period			
2019	7/1/2018	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2018	7/1/2017	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2017	7/1/2016	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2016	7/1/2015	Entry age	Smoothed market	Level dollar	14 years open	7.00%	2.50%	3.00% to 6.30%
2015	7/1/2014	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2014	7/1/2013	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2013	7/1/2012	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2012	7/1/2011	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2011	7/1/2010	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2010	7/1/2009	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%

The mortality table used for all fiscal years was the RP-2000 Fully Generational Combined Mortality table (Projected w/Scale AA).

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

Local 689 Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization		Assumed Rate of Return	Inflation Rate	Salary Increases
				Method	Period			
2019	1/1/2018	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2018	1/1/2017	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2017	1/1/2016	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2016	1/1/2015	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	2.50%	3.00% to 3.50%
2015	1/1/2014	Aggregate Cost	Smoothed market	Level percentage of payroll	30 years	7.90%	3.00%	3.50%
2014	1/1/2013	Aggregate Cost	Smoothed market	Not Available	Not Available	7.90%	3.00%	3.50%
2013	1/1/2012	Aggregate Cost	5-yr assumed yield	Not Available	Not Available	7.90%	3.00%	3.50%
2012	1/1/2011	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	7.90%	3.00%	3.50%
2011	1/1/2010	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	8.00%	3.00%	3.50%
2010	1/1/2009	Aggregate Cost	3-yr assumed yield	Not Available	Not Available	8.00%	3.00%	3.50%

The mortality table used for fiscal years 2018 and 2019 was the RP-2014 Blue Collar Projected with Scale MP-2015. The mortality table used for fiscal years 2017 and 2016 was the RP-2000 male and female distinct rates projected to 2016 and 2015. The mortality table used for fiscal years 2010 through 2015 was the 1983 Group Annuity Mortality Tables, males set back two years and females unadjusted.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

Transit Police Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization		Assumed Rate of Return	Inflation Rate	Salary Increases
				Method	Period			
2019	1/1/2019	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.00%	2.50%	3.00% to 7.00%
2018	1/1/2018	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.00%	2.50%	3.00% to 7.00%
2017	1/1/2017	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.50%	2.50%	3.00% to 7.00%
2016	1/1/2016	Aggregate Cost	Smoothed market	Level percentage of payroll	5 years	7.50%	2.50%	3.00% to 7.00%
2015	1/1/2015	Aggregate Cost	Smoothed market	Level percentage of payroll	10 years	7.50%	2.50%	3.00% to 6.00%
2014	1/1/2014	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	3.00%	4.75% to 9.0%
2013	1/1/2012	Aggregate Cost	Smoothed market	Not Available	Not Available	7.50%	2.50%	4.75% to 9.0%
2012	1/2/2011	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%
2011	1/1/2010	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%
2010	1/1/2009	Aggregate Cost	Smoothed market	Not Available	Not Available	8.00%	2.50%	4.75% to 9.0%

The mortality table used for fiscal years 2016 through 2019 was the RP-2014 Combined Healthy Blue Collar Mortality table with generational projection by Scale MP-2015. The mortality table used for the fiscal years 2010 through 2015 was the RP-2000 Combined Healthy with Blue Collar adjustment set forward ten years with generational projection by Scale AA.

1. Pension Plans (continued)

(b) Schedule of Employer Contributions – Pension Plans (continued)

Local 922 Retirement Plan:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization		Assumed Rate of Return	Inflation Rate	Salary Increases
				Method	Period			
2019	1/1/2019	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.50%
2018	1/1/2018	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
2017	1/1/2017	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
2016	1/1/2016	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.0% to 4.5%
2015	1/1/2015	Entry age normal cost	Smoothed Market value	Level dollar	20 years closed	7.00%	3.00%	4.50%
2014	1/1/2014	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2013	1/1/2012	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2012	1/1/2012	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2011	1/1/2011	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%
2010	1/1/2009	Projected unit credit	Actuarial value of assets	Level dollar	30 years open	7.00%	3.00%	4.50%

The mortality table used for all fiscal years was the RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA, which was updated in fiscal year 2016 for active and healthy retirees to use a fully generational mortality improvement scale.

1. Pension Plans (continued)**(b) Schedule of Employer Contributions – Pension Plans (continued)****Local 2 Retirement Plan:**

Fiscal Year	Valuation Date	Cost Method	Valuation Method	Amortization		Rate of Return	Inflation Rate	Salary Increases
				Method	Period			
2019	7/1/2018	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2018	7/1/2017	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2017	7/1/2016	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2016	7/1/2015	Entry age	Smoothed market	Level dollar	9 years open	7.50%	2.50%	3.00% to 6.30%
2015	7/1/2014	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2014	7/1/2013	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2013	7/1/2012	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2012	7/1/2011	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2011	7/1/2010	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%
2010	7/1/2009	Entry age	Smoothed market	Level dollar	15 years open	8.00%	2.50%	3.50% to 8.00%

The mortality table used for all fiscal years was the RP-2000 Healthy Combined Mortality table with Blue Collar Adjustment, projected fully generational with Scale AA.

2. Other Postemployment Benefits (OPEB)

Ten-year historical trend information is presented as required supplementary information for the Authority's OPEB plans. Additional information pertaining to the OPEB plans can be found in Note 11 to the basic financial statements.

Analysis of the dollar amounts of plan fiduciary net position, total OPEB liability, and net OPEB liability in isolation can be misleading. Expressing plan net position as a percentage of the total OPEB liability provides one indication of funding status. Analysis of this percentage over time indicates whether the OPEB plan is becoming financially stronger or weaker. Generally, the greater this percentage is, the stronger the plan.

Trends in the net OPEB liability and covered payroll are both affected by inflation. Expressing the net OPEB liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids in the analysis of the OPEB plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage is, the stronger the plan.

(a) Schedule of Changes in Net OPEB Liability – WMATA Healthcare Plan

The data reported in the Schedule of Changes in Net OPEB Liability for the WMATA Healthcare Plan for the Authority's fiscal years ending June 30, 2019 and 2018 are based upon the measurement dates of June 30, 2018 and 2017, respectively. The changes in the assumptions during the fiscal year ended June 30, 2019 reflect the changes in the discount rate, which was increased from 3.58% to 3.87%. The changes in the assumptions during the fiscal year ended June 30, 2018 reflect the changes in the discount rate, which was increased from 2.85% to 3.58%. The changes in the benefit terms during the fiscal year ended June 30, 2018 reflect reduction in coverage for the Local 2 and non-represented employees from 80% to 75%.

This schedule is intended to show information for 10 years. The changes in the net OPEB liability for years prior to the fiscal year ending June 30, 2017 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

(b) Schedule of Employer Required Contributions – Teamsters Local 922 Employers Health Trust

The data reported in the Schedule of Employer Required Contributions consists of the total amount of contributions the Authority makes to the Teamsters Local 922 Employers Health Trust for retirees during the Authority's respective fiscal year-end. The Authority is required to make a fixed contribution per retiree in accordance with the collective bargaining agreement. For the fiscal year ended June 30, 2018 and for the fiscal year 2019 up to February 28, 2019, the required contribution amount was \$800 per month for each participant. As of March 1, 2019, the required contribution amount was adjusted to \$900 per month.

This schedule is intended to show information for 10 years. The employer required contributions for years prior to the fiscal years ending June 30, 2017 were not available and accordingly, were not included in the schedule. Additional years will be displayed as they become available.

M System Map

wmata.com
 Customer Information Service: 202-637-7000
 TTY Phone: 202-962-2033
 Metro Transit Police: 202-962-2121

- ### Legend
- **RD** Red Line • Glenmont / Shady Grove
 - **OR** Orange Line • New Carrollton / Vienna
 - **BL** Blue Line • Franconia-Springfield / Largo Town Center
 - **GR** Green Line • Branch Ave / Greenbelt
 - **YL** Yellow Line • Huntington / Mt Vernon Sq / Fort Totten
 - **SV** Silver Line • Wiehle-Reston East / Largo Town Center

- ### Station Features
- Bus to Airport
 - Parking
 - Hospital
 - Airport

- ### Connecting Rail Systems
- AMTRAK
 - VREB
 - MARC

Transfer Station

Station in Service

Under Construction

Full-Time Service

Service operates Monday-Friday 10:00am - 3:00pm 7:30pm - Close

All day Saturday & Sunday



Metro is accessible.

N
 Map is not to scale





Washington Metropolitan Area Transit Authority
600 Fifth Street, NW
Washington, D.C. 20001



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