Metropolitan Transit Authority of Harris County, Texas
Comprehensive Annual Financial Report
For the Years Ended
September 30, 2019 and 2018
(Fiscal Year Begins on October 1 and Ends on September 30)

METRORail

This Page Intentionally Left Blank

Table of Contents

This Page Intentionally Left Blank

Introductory Section

This section provides an overview of METRO's financial activities during the year and discusses management's responsibilities for quality financial reporting. This section is more useful when read in conjunction with the rest of the report.

Please visit METRO's Website where you can read more about METRO and its efforts towards improving regional mobility.

Mission Statement

"Provide safe, clean, reliable, accessible and friendly public transportation services to our region."

March 26, 2020

To the Board of Directors,
Metropolitan Transit Authority of Harris County, Texas (METRO)
and members of METRO's Service Area

I am pleased to present METRO's Comprehensive Annual Financial Report (CAFR) for the year ended September 30, 2019 (FY2019). This report represents the highest form of external financial reporting and has been developed by the Finance Department with support from other groups within METRO. METRO is responsible for the information presented in this report.

METRO was established under Texas law in 1977 to develop, maintain, and operate a public transportation system primarily in Harris County, Texas with actual transit operations starting in 1979. The service area primarily consists of 15 cities, including Houston which is the nation's fourth largest city, and unincorporated parts of Harris County.

METRO operates 1,412 transit vehicles, 76 rail cars and manages various mobility programs which includes, METRO STAR Vanpool, METROLift, High Occupancy Vehicle/High Occupancy Toll Lanes, Bikes-on-Bus/Train program, and Park & Ride lots. In addition to these programs, METRO provides funding to local governments under the General Mobility Program for their road improvements and congestion mitigation activities. Payments under these two programs are reported as local infrastructure assistance on the Statement of Revenues, Expenses and Changes in Net Position.

METRO's revenue sources include a 1% local sales tax imposed across the service area, fares, and federal grants. During 2019, voters approved a referendum, which continues the General Mobility Program through 2040. Under this program, 25% of the annual sales tax proceeds, adjusted for certain limits established in FY2014, will be used to fund General Mobility activities of local governments.

METRO's daily focus is on providing safe, clean, reliable, accessible and friendly public transportation services to our region and during FY2019 had approximately 89.0 million boardings. In addition to the daily focus, METRO is working with governmental agencies, local leaders and our customers in developing integrated transportation solutions and mobility programs that meets the current and future needs of the region and our customers.
This was another exciting year and some of the highlights include:

- This year marks 40 years of service for METRO which began operations in January 1979. At the time, METRO had an aging fleet of only 400 vehicles. It has grown to a network of over 1,400 bus, three light-rail lines, paratransit services, HOV/HOT lanes, 27 Park & Ride facilities and the Bike to Bus program.

- On November 5, 2019 the METRONext Moving Forward Plan referendum was approved by the voters. This Plan includes route enhancements, signature bus service, accessibility improvements, rapid bus service, new or improved Park & Ride lots, transit centers and extension of the light rail lines to the city of Houston Municipal Court House, the North Shepard Park & Ride Lot, Hobby Airport, and the continuation of the General Mobility Program through 2040.

- METRO won the APTA's 2019 Rail Safety Gold Award for transit agencies with more than 20 million passenger trips annually.

- METRO recently received the highest credit rating of AAA from Standard & Poor's Global Ratings and Kroll Bond Rating Agency. The AAA credit ratings from these two firms along with a recent refunding of debt will save METRO $72.3 million in future years.

Financial Transparency - A key to good governance

METRO's commitment to financial transparency goes beyond monthly financial reporting at Board/Committee meetings and is reflected in the type, quality and location of financial information, including awards, listed on METRO's Web page. Financial reporting awards include the certificate of achievement for excellence in financial reporting for METRO's comprehensive annual financial report for 27 consecutive years and seven consecutive years for METRO's two defined benefit pension plans.

In addition, METRO has earned the highest grade available from the Texas Comptroller Leadership Circle program for financial transparency for the past eight years.

Financial Information and Certificate of Achievement for Excellence in Financial Reporting

METRO's Department of Finance supports long-term strategic planning, investment and cash management, grant programs, Q Card administration, financial reporting, and ensures compliance with various federal and state laws, rules, and regulations.

One of our main goals at METRO is to enhance and maintain our status as a trusted community partner by establishing and adhering to financial policies that inspire public trust. The recognition of our independent peers helps us demonstrate to the public that we are committed to achieving this goal.

For the eighth consecutive year, the Department of Finance earned the Texas Comptroller's top award for financial transparency. METRO also continues to earn Certificate of Achievement for Excellence in Financial Reporting for METRO's FY2018 CAFR and the two-separate defined benefit pension plans' CAFRs.

METRO is not a component unit and the accompanying financial statements include all activities for which it is financially accountable as defined by Governmental Accounting Standard No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No 14 and No. 34*. METRO's principal operating and capital resources are derived from a 1% sales tax levied in its service area, customers fees for transit service, investment income, and federal capital/operating grants. METRO's expenditures relate primarily to transit operations, local infrastructure improvements, transit security, and various capital projects.

The responsibility for accuracy, reliability, and fairness of presentation of the financial information and related disclosures in the CAFR rests with METRO's management. All disclosures that are necessary to enable the reader to gain an understanding of METRO's financial activities have been included in this CAFR. METRO's management is also responsible for ensuring that an adequate internal control structure is in place for preparation of financial information, safeguarding of assets, effective and efficient use of resources, and compliance with applicable laws and regulations. The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of cost and benefits requires estimates and judgment by management. In addition, METRO is required by state and federal laws to have independent certified public accountants perform audits and issue reports in accordance with generally accepted auditing standards and U.S. Office of Management and Budget Uniform Grants Guidance for Federal Awards. These reports are filed annually with the appropriate state and federal agency.

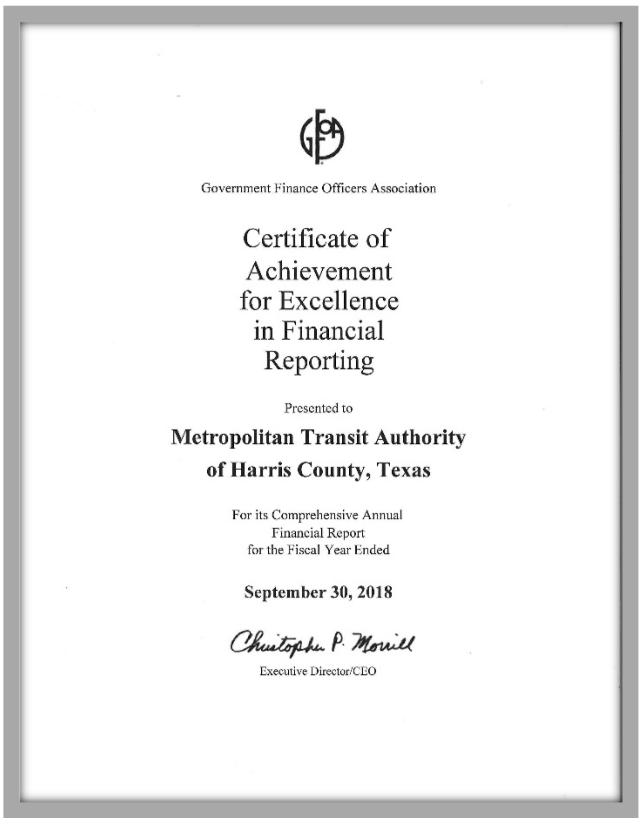
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

METRO's cash and investment policy is designed to monitor and adjust daily its cash balance and investment portfolio while investing in only those securities that have been legally authorized by the Texas Public Fund Investment Act and approved by the Board of Directors as listed in Note 2 to the basic financial statements.

METRO is self-insured, except for certain risks, for which it pays an annual premium to a third-party insurance company as discussed in Note 5 to the basic financial statements.

Other Information

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to METRO for its CAFR for the year ended September 30, 2018. This is the 27th consecutive year METRO has received this prestigious award. To be awarded a Certificate of Achievement, METRO must publish an easily readable and efficiently organized CAFR. This report must also satisfy both generally accepted accounting principles and applicable legal requirements.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transit Authority of Harris County, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

The Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Contact Information

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Department of Finance, Metropolitan Transit Authority of Harris County, Texas 1900 Main Street, Houston, TX 77208-1429.

METRO's financial statements have been audited by KPMG LLP.

Acknowledgments

METRO's management expresses its appreciation to the employees and the Board of Directors for their commitment in making this one of the best transit agencies in the nation. Additional information can be found in the Management's Discussion and Analysis section, which starts on page 10.

Arthur C. Smiley III
Chief Financial Officer

METRO’s Board of Directors

The Board of Directors has nine members. Five directors are nominated by the Mayor of Houston and confirmed by the Houston City Council. Two directors are appointed by the mayors of the 14 other member cities in METRO’s service area. Two directors are nominated by the Harris County Judge and confirmed by the County Commissioners.

Carrin F. Patman,
Chair (C)

Jim Robinson, CFE
First Vice-Chair (H)

Don Elder Jr.,
Second Vice-Chair (M)

Troi Taylor
Secretary (C)

Lex Frieden (C)

Bob Fry (M)

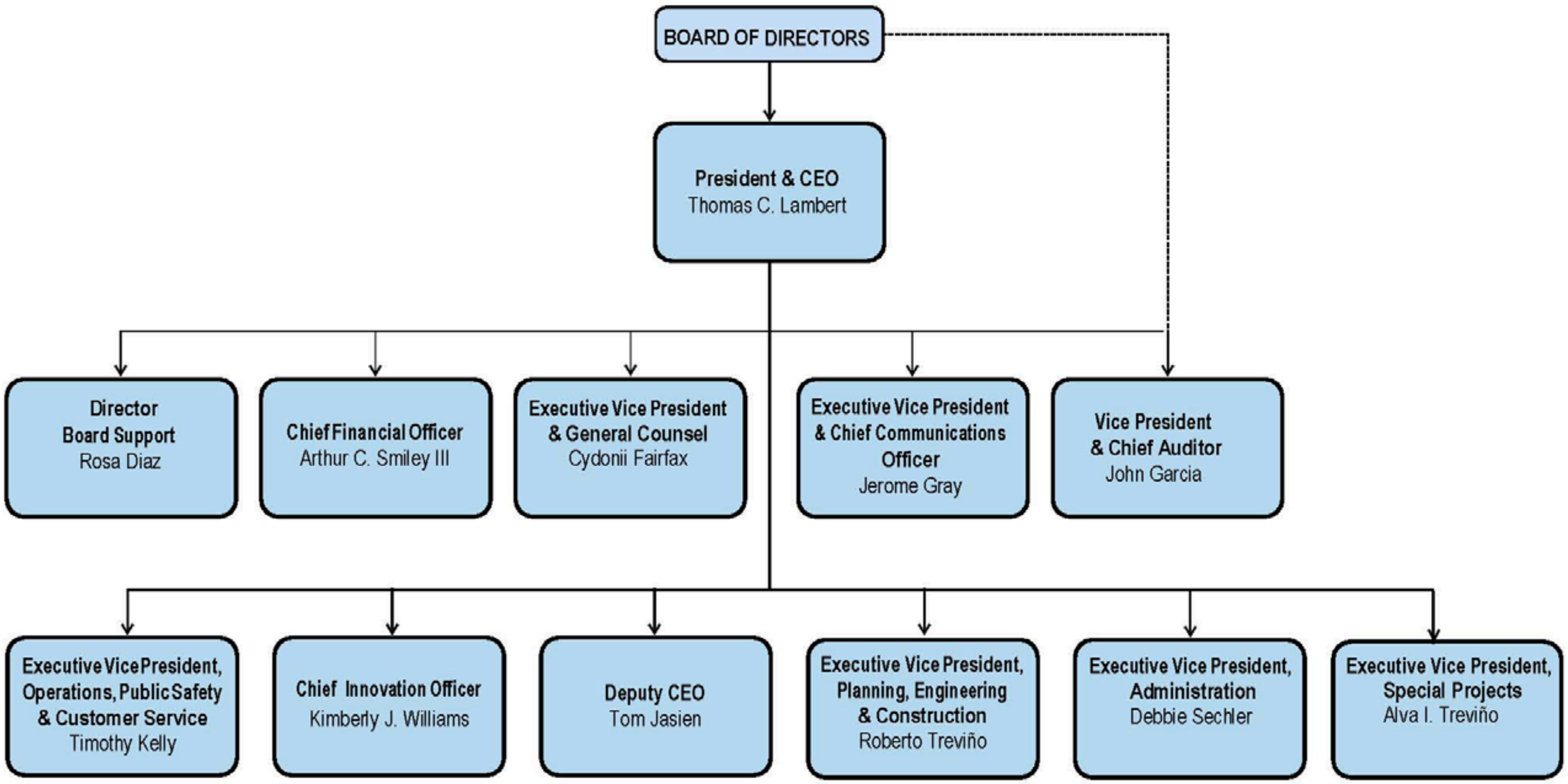
Lisa Gonzales Castañeda,
P.E. (H)

Terry Morales (C)

Sanjay Ramabhadran (Ram),
P.E. (C)

(C) Nominated by the Mayor of the City of Houston and Confirmed by Houston’s City Council
(H) Nominated by the Harris County Judge and Confirmed by Harris County Commissioners Court
(M) Appointed by the Mayors of the 14-member cities in METRO's service area

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS
Executive Leadership Team
Organization Chart



Comprehensive Financial Section

The Governmental Accounting Standards Board (GASB) believes that every governmental entity should prepare and publish, as a matter of public record, a comprehensive annual financial report (CAFR). The CAFR is designed to provide financial information that is useful in evaluating METRO's financial condition, results of operations, cash flows, and compliance with finance-related laws, rules, and regulations that have a direct and material effect on the financial statements. The CAFR is prepared using generally accepted accounting principles and is posted on METRO's Website.

Some of the compliance reporting requirements includes the following:

- *State law, which requires METRO to issue each year independently audited financial statements and file those statements with state oversight agencies as well as state and local governmental leaders.*
- *Federal regulations, which require the audited financial statements to be included with the annual filing of the independently audited Single Audit Report (grant expenditures), which is used to evaluate compliance with grant agreements and evaluate future eligibility for grant funds.*
- *METRO's existing debt agreements with creditors, which require audited financial statements be prepared and posted on the Electronic Municipal Market Access Website to ensure compliance with continuing disclosure requirements.*

This Page Intentionally Left Blank

KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors
Metropolitan Transit Authority
Harris County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Metropolitan Transit Authority of Harris County, Texas (METRO), as of and for the year ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the METRO'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 U.S. generally accepted accounting principles; 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Metropolitan Transit Authority of Harris County, Texas, as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise METRO's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of METRO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the METRO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering METRO's internal control over financial reporting and compliance.

KPMG LLP

Houston, Texas
March 26, 2020

Management's Discussion and Analysis (MD&A)
(Unaudited)

Governmental Accounting Standards requires externally issued financial reports that are prepared in accordance with generally accepted accounting principles to include a Management's Discussion and Analysis for State and Local Government section. This section is to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions.

This section of the CAFR presents a discussion and analysis of METRO's financial performance during FY2017 through FY2019. Please read it in conjunction with the introductory section of the report and METRO's financial statements which immediately follow this section. Numbers presented in the Management's Discussion and Analysis tables are rounded and may differ slightly from the financial statements.

FINANCIAL HIGHLIGHTS

METRO's net position declined by $627.0 million or 34.7 percent during the last three years. This decline was expected and includes the $282.4 million reduction from implementing GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) during FY2018. The remaining decline related to planning for METRONext, cost associated with providing high quality transportation and mobility services to the community and Hurricane Harvey which occurred in FY2017.

- *Total Resources* reported on schedule A-1 totaled $979.2 million for FY2019 which is a $94.1 million or 10.6 percent increase from FY2017. This increase primarily relates to improvement in sales tax collections, earning on investments, offset by a reduction in the receipt of grant funds due to the timing of federal appropriations or delays in purchasing grant eligible capital assets.

- *Total Operating Expenses* reported on schedule A-1 totaled $854.4 million for FY2019 which represents an increase of $47.4 million or 5.9 percent from FY2017. This increase relates to expanding METROLift services, maintenance of capital assets, and employee benefit expenses offset by lower energy and depreciation expenses.

- *Total Nonoperating Expenses* reported on schedule A-1 totaled $241.4 million for FY2019 which represents an increase of $28.8 million or 13.5 percent when compared to FY2017. This increase primarily relates to local infrastructure payments used to improve regional mobility.

- *Total Assets and Deferred Outflows* reported on schedule A-2 totaled $3,628.1 million for FY2019 which represents an increase of $11.1 million or 0.3 percent when compared to FY2017. This change is minimal and primarily relates to increase in cash and investments offset by a decline to capital asset net of depreciation as depreciation expense exceeded new capital additions.

- *Total Liabilities and Deferred Inflows,* as reported on schedule A-2, totaled $2,447.5 million for FY2019 an increase of $503.6 million or 25.9 percent since FY2017. This increase primarily relates to implementing the new accounting statement, in FY2018, which requires governmental entities to record the full amount of their actuarially determined net OPEB Liability and related deferred flows on their financial statements. The remaining increase relates to the issuing of additional debt to acquire capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, and the required supplementary information. METRO's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

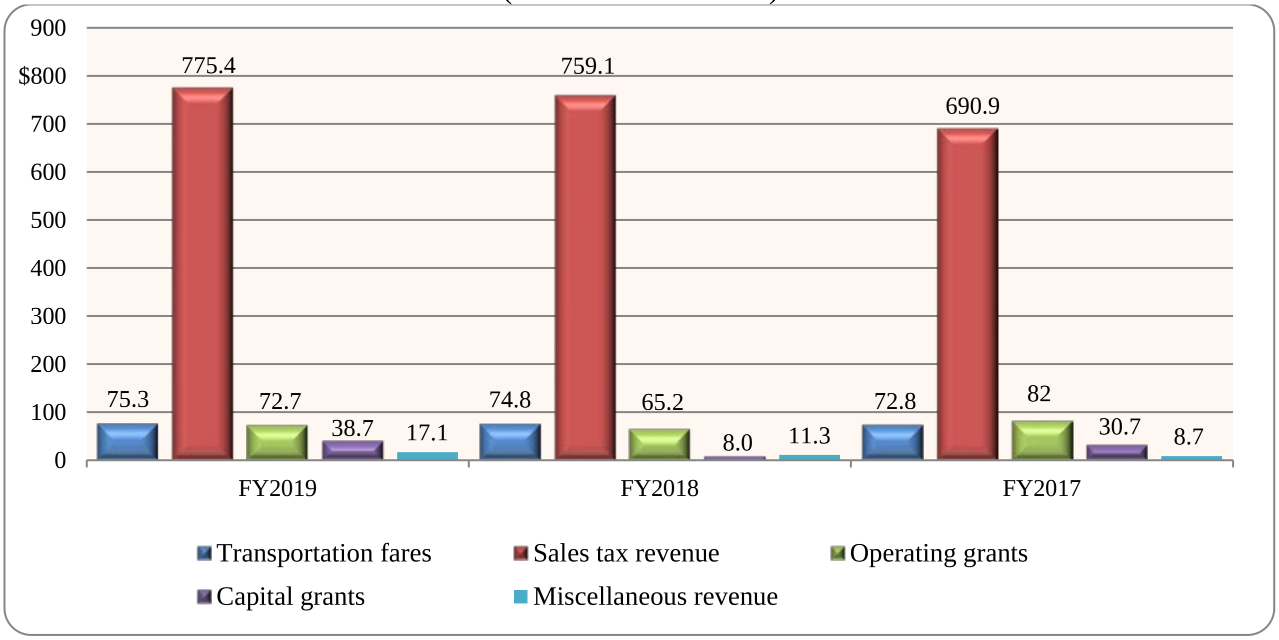
FINANCIAL ANALYSIS OF METRO

Summarized Changes in Net Position
(in Millions of dollars) A-1

	FY2019	FY2018	Change	% Change	FY2017
Resources					
Transportation fares	$ 75.3	$ 74.8	$ 0.5	0.7 %	$ 72.8
Sales tax	775.4	759.1	16.3	2.1 %	690.9
Investment income	12.0	6.4	5.6	87.5 %	3.6
Intergovernmental revenue	1.7	1.9	(0.2)	(10.5) %	1.8
Other income	3.4	3.0	0.4	13.3 %	3.3
Grant proceeds (includes capital grants used for maintaining assets)	72.7	65.2	7.5	11.5 %	82.0
Grant proceeds (capital)	38.7	8.0	30.7	383.8 %	30.7
Total resources	979.2	918.4	60.8	6.6 %	885.1
Expenses					
Operating					
Scheduled service	420.8	385.0	35.8	9.3 %	384.1
Nonscheduled service	79.6	78.4	1.2	1.5 %	74.9
Service support	97.1	85.6	11.5	13.4 %	85.2
Organizational support	62.3	58.4	3.9	6.7 %	56.0
Depreciation and amortization	194.6	203.7	(9.1)	(4.5) %	206.8
Total operating expenses	854.4	811.1	43.3	5.3 %	807.0
Nonoperating					
Noncapitalized interest cost	46.4	46.7	(0.3)	(0.6) %	46.6
(Gain)/loss on sale of assets/impairment	(0.9)	–	(0.9)	N/A %	–
Funds passed to subrecipients	1.3	1.8	(0.5)	(27.8) %	2.6
Local infrastructure assistance	196.4	151.8	44.6	29.4 %	149.8
Net (recovery)/loss from declared disasters	(1.8)	0.5	(2.3)	(460.0) %	13.6
Total nonoperating	241.4	200.8	40.6	20.2 %	212.6
Total expenses	1,095.8	1,011.9	83.90	8.3 %	1,019.6
Change in net position	(116.6)	(93.5)	(23.1)	(24.7) %	(134.5)
Net position - beginning of year – restated (Note 1)	1,297.2	1,390.7	(93.5)	(6.7) %	1,807.6
Net position - end of year	$1,180.6	$1,297.2	$ (116.6)	(9.0) %	$ 1,673.1

Increases to Net Position (Revenues) with Related Discussions

(In Millions of Dollars)



Transportation fares include revenue from transit customers, METRO STAR Vanpool, and HOT lanes. Increases during the last three years primarily related to transitioning, previously privatized, METRO STAR Vanpool revenue into METRO reporting and increases in HOT lanes activity.

Sales tax revenue is 1% of taxable sales within METRO's service area which is collected by the Texas Comptroller Office and distributed monthly to METRO. Increases during the three years are due to improvements in the local economy.

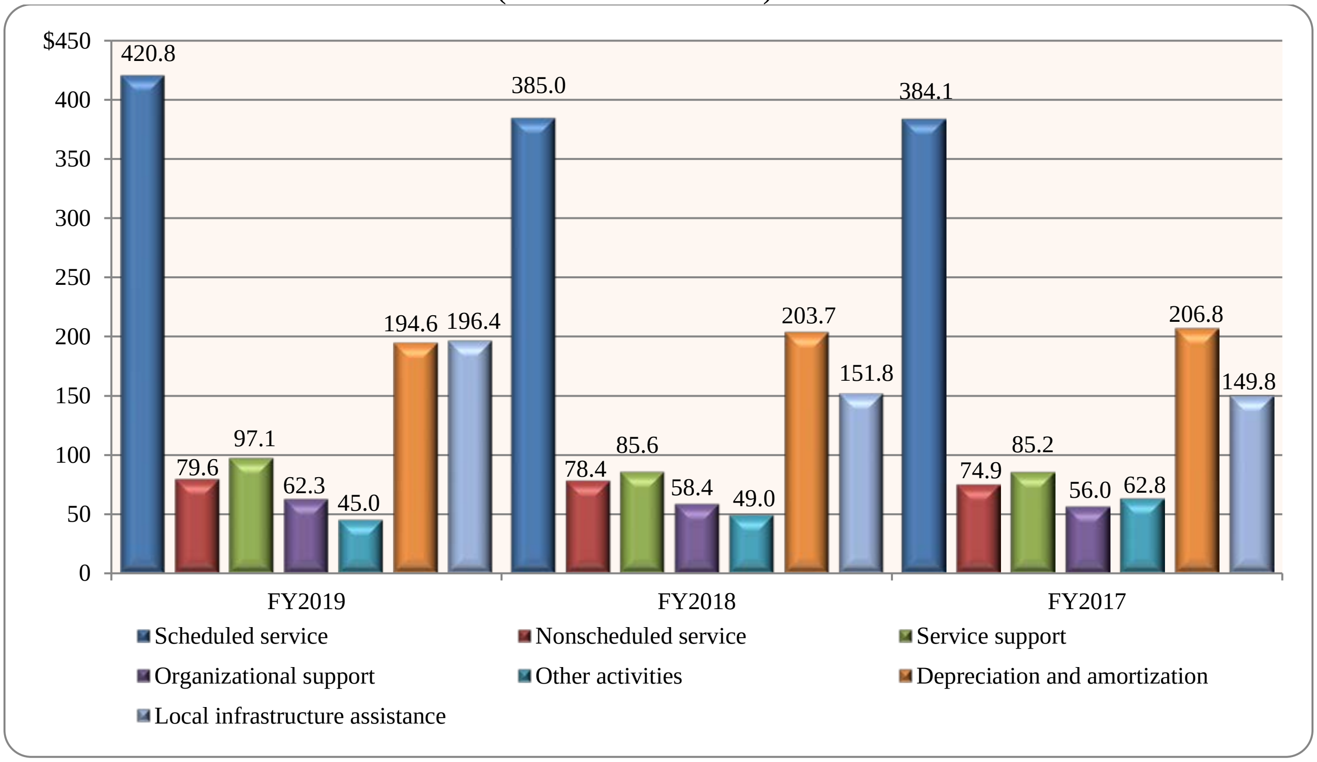
Operating grants (includes capital grants authorized by the FTA for use in maintaining capital assets) are provided by the FTA and used to offset the cost of maintaining the revenue fleet and operating specific transit programs such as METROLift and METRO STAR Vanpool. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA, which is METRO's primary federal oversight agency. Amounts reported each year will vary and is based on the timing of when funds are appropriated and available for reimbursement to METRO.

Capital grants are provided by the FTA and are used to help fund the design, construction, purchase, and enhancement of capital assets. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA. Funds are collected on a reimbursement basis and based on varying level of eligible capital activity. Reimbursements increased during FY2019 primarily from the purchase of new buses, rail equipment, and facilities enhancements.

Miscellaneous revenue consists of investment income, intergovernmental revenue, real estate, parking revenue, and other nonoperating activities. Revenues from these categories will vary slightly each year depending on the local economy and the impact of changing interest rates. Increases over the last several years generally relate to investment income as METRO expanded their investment portfolio to include government-sponsored organizations and additional funds became available to invest.

Decreases to Net Position (Expenses) and Related Discussions

(In Millions of Dollars)



Scheduled service consists of bus/light-rail services and includes vehicle operations, maintenance, safety, and training expenses. Increases in cost primarily consist of employees and related benefits, hiring additional employees, and overtime required to meet service demands.

Nonscheduled service includes METROLift, METRO STAR Vanpool, and HOT lanes. Increases in cost during the years were generally associated with the additional METROLift services, inclusion of METRO Star Vanpool (previously privatized), reduced by lower operating costs for HOT lanes.

Service support includes planning, marketing, transit security, insurance, fare collection, and facility maintenance. The increases over the last three years primarily relate to the cost required to maintain older facilities, additional effort on transit security and marketing relating to the METRONext referendum.

Organizational support includes business, community/governmental development, administrative, finance, personnel, information systems, purchasing, executive oversight, audit, and legal. Increases during the last three years primarily relate to working with the community on developing METRONext.

Other activities include interest expense, funds passed to grant subrecipients, gain on sale of assets, and cost related to Hurricane Harvey which occurred during August of FY2017. Activities reported in this category were relatively consistent except for Hurricane Harvey FY2017 and subsequent insurance recovers.

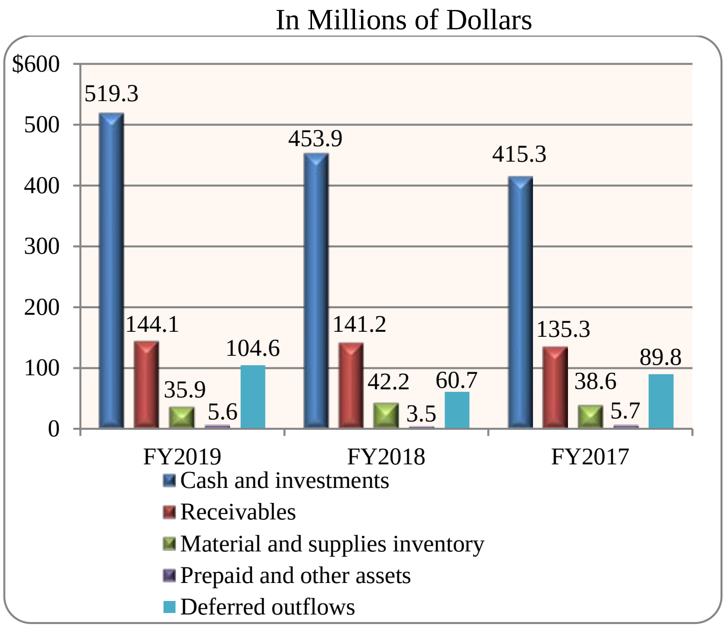
Depreciation and amortization decreased slightly over the last three years as new assets replaced those retired and certain fully depreciated assets were able to remain in service.

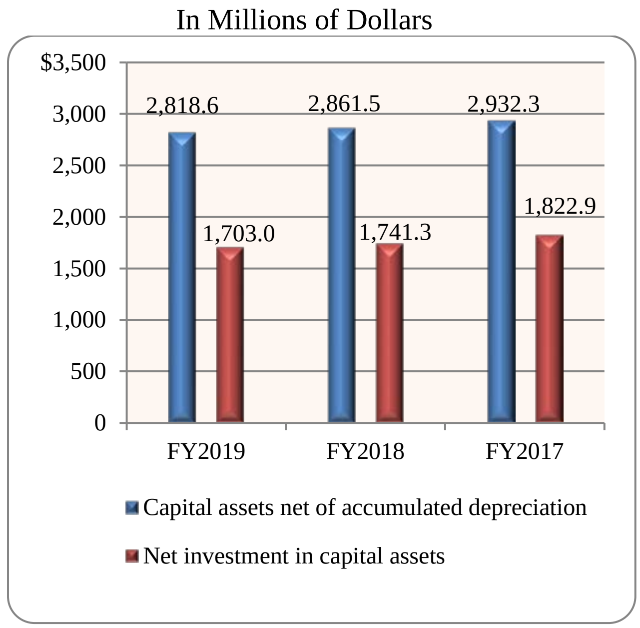
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities. This voter approved program established a cap of 25% of FY2014 sales tax revenues with any sales tax growth shared equally between METRO and these local governments. Expenses reported for this program will vary each year depending on reimbursement requests and funds distributed to local governments. Additional information can be found in Note 7 to the basic financial statements.

Summarized Statement of Net Position
(in Millions of Dollars)
A-2

	FY2019	FY2018	Amount of Change	Percentage Change		FY2017
Assets and deferred outflows						
Cash and investments	$ 519.3	$ 453.9	$ 65.4	14.4	%	$ 415.3
Receivables	144.1	141.2	2.9	2.1	%	135.3
Material and supplies inventory	35.9	42.2	(6.3)	(14.9)	%	38.6
Capital assets net of depreciation	2,818.6	2,861.5	(42.9)	(1.5)	%	2,932.3
Prepaid and other assets	5.6	3.5	2.1	60.0	%	5.7
Total assets	3,523.5	3,502.3	21.2	0.6	%	3,527.2
Deferred outflows of resources	104.6	60.7	43.9	72.3	%	89.8
Total assets and deferred outflows	3,628.1	3,563.0	65.1	1.8	%	3,617.0
Liabilities and deferred inflows						
Payables and other liabilities	175.5	161.1	14.4	8.9	%	136.0
Commercial paper	116.1	116.1	0.0	-	%	116.4
Debt payables	1,216.9	1,140.3	76.6	6.7	%	1,139.1
Net pension liability	292.6	194.5	98.1	50.4	%	243.5
Net OPEB liability	560.2	609.5	(49.3)	(8.1)	%	291.4
Total liabilities	2,361.3	2,221.5	139.8	6.3	%	1,926.4
Deferred inflows of resources	86.2	44.3	41.9	94.6	%	17.5
Total liabilities and deferred inflows	2,447.5	2,265.8	181.7	8.0	%	1,943.9
Net position:						
Net investment in capital assets	1,703.0	1,741.3	(38.3)	(2.2)	%	1,822.9
Restricted assets, debt payments	66.1	77.8	(11.7)	(15.0)	%	86.3
Unrestricted assets	(588.5)	(521.9)	(66.6)	12.8	%	(236.1)
Total net position	$ 1,180.6	$ 1,297.2	$ (116.6)	(9.0)	%	$ 1,673.1

Assets and Net Investments in Capital Assets





Cash and investments consist of demand deposits and investments. Changes during the last three years were primarily related to the timing of various activities which include: cash receipts from sales tax collections, issuance of new debt, grant reimbursements, reduced by payments for operating, capital, and local infrastructure assistance. More information about cash and investments can be found in Note 2 to the basic financial statements.

Receivables include sales tax, grants, transportation fares, and miscellaneous activities. Changes during the last three years are primarily due to higher sales tax collections that were offset by lower grant funded receivables primarily related to the Van Pool program.

Material and supplies inventory consist of fuel, negative fuel hedges, and parts used to maintain buses, light-rail cars, and non-revenue vehicles. The changes over the last three years primarily related to volatility in fuel prices along with increases in parts used to maintain and effectively operate the transportation system.

Prepaid and other assets consist of insurance, extended vehicle warranties and prepaid rent. Changes during the last three years related to the timing of new purchases and the subsequent amortization.

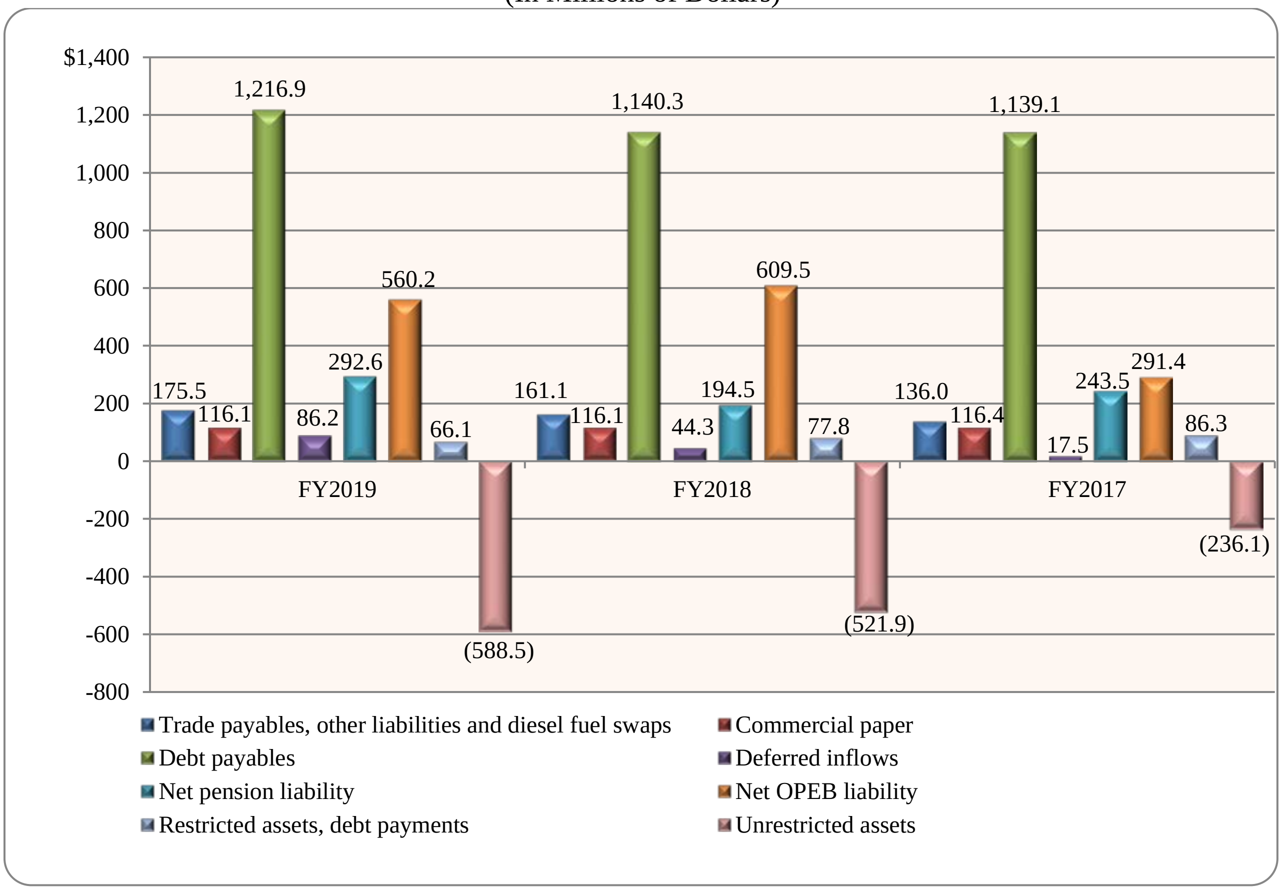
Deferred outflows primarily consist of unfavorable experience when compared to actuarial assumptions used to value the two defined benefit pension plans, the two OPEB plans, related contributions for the period January 1 through September 30, of each year, the refunding of previous outstanding debts and diesel fuel swaps. Changes can vary significantly between years and primarily relate to the benefit plans ability to meet their actuarial assumptions including investment returns and changes in diesel fuel prices. The increase in FY2019 primarily related to the defined benefit pension plans as METRO lowered the discount rate from 6.75 percent to 6.50 percent, updated the mortality table, and was unable to achieve its actuarially established investment return. This activity resulted in significant increases to both the deferred outflow and net pension liabilities. Additional information is available in Note 4 to the basic financial statements.

Capital assets net of accumulated depreciation declined during the last three years and generally related to depreciation expense and capital asset retirements exceeding current year capital additions.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the related outstanding balance of bonds, contractual obligations, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The decline during the last three years is primarily related to the depreciation of major capital projects completed in prior years offset by current year capital additions and the principal payments for outstanding debts.

Liabilities and Net Position for Restricted and Unrestricted Assets

(In Millions of Dollars)



Payables and other liabilities consist of amounts owed to trade payables, accrued payroll/benefits, injuries and damages, and deferred Q Card revenue. The changes during the last three years primarily related to trade payables.

Commercial paper was used to fund general mobility payments due to local governments and is part of METRO's long-term debt strategy as payments are rolled-over when due. The slight decline during the last three years were planned with additional information reflected in Note 7 to the basic financial statements.

Debt payables consist of bonds, contractual obligations, accrued interest and related premiums/discounts. Proceeds received from the issuance of these obligations were used to fund light-rail expansion and bus replacements. Increases during the last three years primarily related to the purchase of new buses. Additional information on outstanding debt and related changes are reflected in Note 7 to the basic financial statements.

Deferred inflows consist of favorable experience when comparing the actuarial assumptions used to value the two defined benefit pension plans and the two OPEB plans, the benefit associated with refunding previous outstanding debts, and the value of outstanding diesel fuel swaps that are below the market price. Increase during the last several years relate to favorable actuarial experience primarily for the OPEB Plans as reflected in Note 4 and Note 7 to the basic financial statements.

Net pension liability increased for both defined benefit pension plans during FY2019 due to reducing the expected rate of return on investments from 6.75 percent to 6.50 percent, updating the mortality table and not achieving the expected rate of return. Both plans are closed to new members and additional information is reported in Note 1 and Note 4 to the basic financial statements.

Net OPEB liability consist of two plans which provide medical, dental, and life insurance benefits for eligible retirees as discussed in Note 1 and Note 4 to the basic financial statements. The plan covering OPEB for Non-Union employees was closed on January 1, 2010 (except for life insurance) while the plan for employees covered by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) collective bargaining agreement remains open to new participants. The decline in FY2019 preliminary related to updating the assumptions used in valuing METRO’s liability to the Trust. The increase in FY2018 is the result of METRO implementing, for the first year, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Restricted assets - debt payments consist of individual accounts held by the Trustee, Wells Fargo Bank, N.A., as part of METRO’s debt agreements. METRO coordinates the monthly deposit requirements with the Trustee to ensure funds are available to make all interest and principal payments as they become due. Balances in individual accounts will change annually and is based on the timing of deposits and subsequent payment of interest and principal by the Trustee. All funds deposited into these accounts are required to be invested in local government investment pools as authorized under the Texas Public Funds Investment Act.

Unrestricted assets declined during the last three years and generally relate to additional cost incurred to expand and provide high quality transit and mobility services to the region and to implement the new GASB standard on accounting for OPEB cost. The balance equals total assets, plus deferred outflows; reduced by total liabilities, total deferred inflows, investments in capital assets-net of related debt, and restricted assets-debt payments. Amounts reported as unrestricted must be reviewed in conjunction with estimated future cash flows to determine funds which are available to expand or implement new and innovative programs.

OUTSTANDING COMMITMENTS

METRO has various contracts and purchase orders, some of which extend over several fiscal years. During the last two years the outstanding commitments totaled $257 million for FY2019 and $146 million for FY2018. Changes between fiscal years generally represent contracts that were expiring and will subsequently be replaced.

Current Economic Outlook for the Region

The outlook has improved as reflected in METRO's independently updated sales tax forecast listed below. This forecast anticipates job growth will continue to provide additional funds so METRO can expand and deliver new and innovative transit and mobility services to the region.

Figure 33 was taken from the *Mid-Year Outlook for METRO's Sales Tax Revenues: 2019-2024* Dated June 2019 and prepared by Dr. Robert W. (Bill) Gilmer, C.T. Bauer College of Business/Institute for Regional Forecasting.

The entire report is available upon request from METRO's Finance Department and the following schedule reflects the current forecast of sales tax revenue for the METRO service area through 2024.

Figure 33: METRO Sales Tax Revenue: 2019 to 2024
By Date of Allocation, Current $

Year	Low	Medium	High
2019	768,161,691	781,045,547	794,437,140
% y/y	0.6%	2.3%	4.1%
% q4/q4	3.5%	6.0%	8.9%
2020	814,426,146	841,084,914	869,356,535
% y/y	6.0%	7.7%	9.4%
% q4/q4	6.0%	7.1%	8.1%
2021	860,979,720	895,265,337	932,774,781
% y/y	0.057	6.4%	7.3%
% q4/q4	0.056	6.2%	6.9%
2022	912,970,985	951,654,095	995,642,823
% y/y	6.0%	6.3%	6.7%
% q4/q4	6.3%	6.4%	6.7%
2023	975,170,255	1,015,746,802	1,063,546,330
% y/y	6.8%	6.7%	6.8%
% q4/q4	7.1%	6.9%	7.0%
2024	1,046,546,597	1,088,414,203	1,139,246,596
% y/y	7.3%	7.2%	7.1%
% q4/q4	7.3%	7.1%	7.1%

Basic Financial Statements
Generally Accepted Accounting Principles

Generally accepted accounting principles (GAAP) are uniform minimum standards of and guidelines to financial accounting and reporting. Adherence to GAAP assures that financial reports of all state and local governments regardless of jurisdictional legal provisions and customs contain the same types of financial statements and disclosures, for the same categories and types of funds and activities, based on the appropriate measurement and classification criteria.

Adherence to GAAP is essential to assuring a reasonable degree of comparability among the financial reports of state and local governmental units. Governmental accounting systems thus must provide data that permit reporting on the financial status and operations of a government in conformity with GAAP.

GAAP establishes standards for preparing a comprehensive annual financial report, which includes Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, and required supplementary and statistical information.

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash	$ 19,380,709	$ 6,103,062
Investments	351,422,195	369,969,496
Investments – restricted	40,765,567	51,655,159
Receivables		
Sales tax	129,554,693	124,326,094
Federal government - Federal Transit Administration	5,825,675	5,781,255
Bus passes and other receivables	8,689,553	11,142,730
Total receivables	144,069,921	141,250,079
Material and supplies inventory	35,928,117	34,861,544
Derivative instrument – diesel fuel swaps	–	7,344,809
Total current assets	591,566,509	611,184,149
Noncurrent assets		
Investments – restricted	107,760,712	26,128,756
Capital assets, net of depreciation	2,818,552,642	2,861,518,553
Other noncurrent assets	5,641,114	3,509,785
Total noncurrent assets	2,931,954,468	2,891,157,094
Total assets	3,523,520,977	3,502,341,243
Deferred outflow of resources		
Diesel fuel swaps	908,127	–
Pension	83,468,033	38,190,329
OPEB	11,550,659	12,231,472
Debt refunding	8,637,643	10,284,073
Total deferred outflows of resources	104,564,462	60,705,874
Liabilities		
Current liabilities		
Trade payables	111,669,469	98,385,337
Accrued compensation and benefits	31,981,480	35,455,552
Liabilities for injuries and damages	7,413,175	5,849,687
Other current liabilities	11,773,356	11,623,183
Debts payable	52,250,000	50,870,000
Debt interest payable	19,356,209	20,095,911
Derivative instrument – diesel fuel swaps	908,127	–
Total current liabilities	235,351,816	222,279,670
Noncurrent liabilities		
Liabilities for injuries and damages	11,709,406	9,772,064
Commercial paper	116,100,000	116,100,000
Debts payable	1,145,291,217	1,069,362,657
Net OPEB liability	560,204,975	609,452,358
Net pension liability	292,636,177	194,576,865
Total noncurrent liabilities	2,125,941,775	1,999,263,944
Total liabilities	2,361,293,591	2,221,543,614
Deferred inflows		
Pension	11,652,976	29,880,277
OPEB	73,702,034	4,610,118
Debt refunding	871,033	2,489,751
Diesel fuel hedges	–	7,344,809
Total deferred inflow	86,226,043	44,324,955
Net position		
Net investment in capital assets	1,703,033,487	1,741,285,896
Restricted assets – debt payments	65,994,756	77,783,915
Unrestricted assets	(588,462,438)	(521,891,263)
Total net position	$ 1,180,565,805	$ 1,297,178,548

The accompanying notes are an integral part of the financial statements

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
for the Years Ended September 30, 2019 and 2018

	2019	2018
Operating revenues		
Transportation fares	$ 75,294,678	$ 74,837,624
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	248,520,136	223,139,611
Contract service	48,963,055	46,217,396
Material distribution	7,601,492	7,241,607
Preventative maintenance	80,756,840	76,101,739
Central shop and maintenance support	29,662,492	27,614,092
Safety and training	5,251,606	4,699,939
Subtotal scheduled services - fixed route	420,755,621	385,014,384
Nonscheduled services –special		
METROLift	63,234,017	60,542,541
METRO STAR Vanpool	10,253,334	10,095,148
HOT lanes and special events	6,081,620	7,762,167
Subtotal non-scheduled services – special	79,568,971	78,399,856
Service support		
Service planning and evaluation	7,072,677	7,309,286
Marketing	18,254,038	11,274,543
Transit security and traffic management	27,619,687	25,404,549
Insurance and claims	6,187,926	5,733,368
Ticket and fare collection	4,184,001	4,079,350
Facility maintenance	33,819,659	31,834,924
Subtotal service support	97,137,988	85,636,020
Organizational support		
Business, community, and governmental development	7,168,351	4,330,137
Administrative, financial, and personnel	19,648,796	18,572,642
Information systems	22,583,471	22,766,588
Purchasing	4,394,874	4,195,061
Oversight, audit, and legal	8,511,539	8,497,420
Subtotal organizational support	62,307,031	58,361,848
Depreciation and amortization	194,565,477	203,727,711
Total operating expenses	854,335,088	811,139,819
Operating loss	(779,040,410)	(736,302,195)
Nonoperating revenues (expenses)		
Sales tax	775,392,664	759,063,519
Investment income	12,040,338	6,413,959
Intergovernmental revenue	1,676,986	1,855,372
Noncapitalized interest expense	(46,371,218)	(46,704,097)
Other income	3,344,132	2,988,122
Grant proceeds	72,704,334	65,175,440
Local infrastructure assistance	(196,427,664)	(151,755,726)
Funds passed to subrecipients	(1,302,158)	(1,849,932)
Gain (loss) on sale or disposal of assets	876,612	(9,112)
(Loss)/recovery from declared disaster	1,778,236	(489,435)
Total nonoperating revenues (expenses)	623,712,262	634,688,110
Net decrease before capital grants	(155,328,148)	(101,614,085)
Capital grant proceeds	38,715,405	8,061,354
Changes in net position	(116,612,743)	(93,552,731)
Net position beginning of year (as restated, Note 1)	1,297,178,548	1,390,731,279
Net position end of year	$ 1,180,565,805	$ 1,297,178,548

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

Metropolitan Transit Authority of Harris County, Texas
Statements of Cash Flows
for the Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from transportation fares	$ 75,496,231	$ 77,750,507
Payments to employees	(372,110,536)	(351,398,806)
Payments to suppliers for goods and services	(232,531,832)	(218,204,297)
Net cash used in operating activities	(529,146,137)	(491,852,596)
Cash flows from noncapital financing activities:		
Sales tax	769,734,816	747,684,348
Proceeds from grants	71,402,176	63,325,508
Payments for local infrastructure assistance	(196,427,664)	(151,755,726)
Recovery/(payment) for natural disaster	1,778,236	(489,435)
Net cash provided by noncapital financing activities	646,487,564	658,764,695
Cash flows from capital and related financing activities:		
Proceeds from grants	42,612,796	11,149,389
Proceeds from sale of sales tax bonds	241,516,445	171,791,684
Principal payments related to commercial papers	–	(300,000)
Principal payments related to debts	(155,280,000)	(158,930,000)
Interest payments related to debts	(56,011,094)	(53,862,921)
Purchase of investments for debt services	(243,349,762)	(179,473,531)
Sale of investments for debt services	172,607,398	197,835,430
Interest rebates from Build America Bonds	1,676,986	1,855,372
Proceeds from sale and use of assets	3,793,942	3,541,497
Capital purchases	(141,934,515)	(108,708,345)
Net cash flows used by capital and related financing activities	(134,367,804)	(115,101,425)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	826,409,358	559,950,518
Purchase of investments	(806,018,058)	(616,877,316)
Interest income	9,912,724	5,477,277
Net cash flows from investing activities	30,304,024	(51,449,521)
Net change in cash	13,277,647	361,153
Cash at beginning of year	6,103,062	5,741,909
Cash at end of year	$ 19,380,709	$ 6,103,062
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (779,040,410)	$ (736,302,195)
Depreciation and amortization	194,565,477	203,727,711
Changes in assets and liabilities:		
Decrease in accounts receivable	95,780	2,958,112
(Increase) in inventory and other assets	(792,457)	(411,646)
Increase (decrease) in net pension liability	98,059,312	(48,915,663)
(Increase) decrease in deferred outflows – defined benefit pension plans	(45,277,704)	39,364,592
(Decrease) increase in deferred inflows – defined benefit pension plans	(18,227,301)	16,198,498
(Decrease) increase in accrued compensation and benefits	(3,474,073)	490,968
(Decrease) increase in net OPEB liability	(49,247,382)	35,677,016
Decrease (increase) in deferred outflows – OPEB	680,813	(12,231,472)
Increase in deferred inflows - OPEB	69,091,916	4,610,118
Increase in liabilities for injuries and damages	3,500,829	394,191
Increase in trade payables and other liabilities	919,063	2,587,174
Cash used in operating activities	$ (529,146,137)	$ (491,852,596)
Noncash investing activities:		
Net increase in fair value of investments	$ 1,125,236	$ 471,509
Inflows from reissuance of commercial paper	667,400,000	483,950,000
Outflows from reissuance of commercial paper	(667,400,000)	(483,950,000)

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

1. Summary of Significant Accounting Policies

The Metropolitan Transit Authority of Harris County, Texas (METRO) prepares its financial statements in accordance with generally accepted accounting principles established or approved by the Governmental Accounting Standards Board (GASB), the more significant of which are described below:

Reporting Entity

METRO is a stand-alone governmental entity as defined by GASB Statement No. 14, *The Financial Reporting Entity,* amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34* and Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*.

METRO is a political subdivision of the state of Texas established in 1977. METRO began operations in 1979 to develop, maintain, and operate a public mass transportation system, principally within Harris County, Texas, and is governed by a nine-member Board of Directors (the Board). Five directors are nominated by the Mayor of the City of Houston and confirmed by the City Council. Two directors are nominated by the Harris County Judge and confirmed by the Harris County Commissioners Court, and two directors are elected by the Mayors of the 14 cities other than Houston within METRO's service area.

Related Organizations

The City of Houston, Texas (the City), provides governmental services as authorized or required by its charter. While the City appoints a voting majority of METRO's board members, it is not financially accountable for the actions of METRO since it is unable to impose its will, and a financial benefit or burden relationship does not exist.

Nature of Operating and Nonoperating Activities

Operating

METRO uses the flow of economic resources measurement focus and accrual basis of accounting when preparing financial statements. Under this approach, revenues are recognized when earned and expenses are recognized when incurred.

Operating revenue includes transit fares and HOT lanes usage fees while operating expenses consist of transit operations, traffic management, and organizational support.

Transit operations provide the public with a high-quality and cost-effective public transportation system. Transit operations include designing/constructing maintenance facilities, light-rail lines, transit centers, Park & Ride lots, and bus storage facilities; selecting bus/rail routes; purchasing buses/rail equipment; maintaining equipment; and hiring/training personnel who deliver transit services and provide security.

Organizational support provides METRO with oversight, direct assistance, and community/business development opportunities.

Nonoperating

Nonoperating revenue and expenses include the 1% sales tax levied in METRO's service area, investment income, intergovernmental revenue, non-transit related lease arrangements, operating grants, local infrastructure assistance, interest expense, storm damage, and loss on sale or disposal of assets. Interest expense includes interest, amortization of premium/discount and current year debt issuance cost.

Cash and Investments Activities Including Compliance with the Texas Public Fund Investment Act (TPFIA)

Cash and cash equivalent consist of amounts maintained in demand deposit and petty cash accounts. METRO's deposit and investment activities comply with policies established by the Board of Directors and the TPFIA. The TPFIA requires, as part of the annual financial statement audit, that the independent auditor perform certain compliance reviews some of which include: the Board of Directors adopt a written investment policy and strategies that comply with TPFIA; they review this policy and investment strategies at least annually; adequately trained investment officers have been designated; and that investment activity is reported, reviewed, and accepted by the Board of Directors at least quarterly. The investment policy must also include a listing of authorized investments, which can include: Obligations of the United States of America, its agencies, and instrumentalities, money market mutual funds, commercial paper, fully collateralized repurchase agreements, local government investment pools, certificates of deposit, and other investments authorized by the TPFIA. The Board of Directors may also place additional limits on investment options.

All investments are reported at fair value with investments from borrowing reflected as restricted investments in the Statements of Net Position. Restricted assets reflected as current will be used to pay amounts reported as current liabilities.

Receivables

Receivables generally consist of amounts due from customers, sales tax, grantor agencies, cost-sharing agreements, employees, warranties, and miscellaneous activities.

Inventories of Materials and Supplies

Inventories are valued using a weighted average costing method and consist primarily of diesel fuel, repair parts, and other supplies that are used to maintain buses, light-rail cars, facilities and related equipment.

Capital Assets

METRO's overall capitalization policy requires expenditures to be capitalized when they exceed $5,000 and (a) the useful life of the asset acquired exceeds one year and/or (b) the useful life of an existing asset is increased beyond its original useful life. Depreciation of such property and equipment is calculated using the straight-line method over the following estimated useful lives:

Park & Ride lots	4 - 30 years
Buses	3 - 12 years
Other property and equipment	3 - 10 years
Transitways	4 - 30 years
Rail cars	4 - 25 years
Rail infrastructure	4 - 50 years
Buildings and improvements	4 - 40 years

Capital assets, including capital leases, are recorded at historical cost and expenditures relating to normal repair and maintenance are expensed as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts with any gain or loss reported as part of nonoperating revenues (expenses) on the Statements of Revenues, Expenses, and Changes in Net Position. Liabilities relating to capital leases are reflected separately in the Statements of Net Position. METRO has no donated assets.

Sales Tax

Revenue from the 1% sales tax is recognized when taxable sale transactions occur within METRO's service area. The Comptroller of the State of Texas collects and distributes these amounts to the appropriate governmental organizations with funding normally occurring within 60 days from date of the sale. The amount reported is net of a 2% collection and distribution service fee withheld by the State.

Compensated Absences

Compensated absences are earned by full-time and part-time employees with part-time employees earning benefits at a reduced rate based on hours worked. Employees covered by the collective bargaining agreement earn vacation hours each December 31 based on years of service. A maximum of 200 vacation hours per year can be earned. Earned vacation hours must be used in the next calendar year or paid to the employees upon their termination. These employees also accumulate 8 sick hours per month up to a maximum of 240 hours based on date of hire and years of service. Accumulated sick pay in excess of 64 hours may be sold each September 30 back to METRO at various rates based on attendance. Vacation and sick pay for these employees are expensed when earned, with unpaid balances being reported as part of accrued compensation and benefits (a liability) on the Statements of Net Position.

Full-time employees not covered by the collective bargaining agreement can earn up to 16.67 vacation hours each month and can accumulate up to 600 hours based on years of service and hire date. Vacation expense is recorded when earned, with the unused balance reported as part of accrued compensation and benefits (a liability) in the Statements of Net Position. Employees are paid for their unused vacation time upon termination. In addition, these employees receive 80 hours of sick leave per year at the beginning of each calendar year. Unused sick leave cannot be carried forward to subsequent years and there is no payment at the end of a calendar year or when the employee terminates. Sick leave for Non-Union employees is expensed when incurred.

Pension Plans

METRO has two defined benefit pension plans and one defined contribution plan. Accounting and financial reporting standards for defined benefit pension plans require including the net pension liability, deferred outflows/inflows of resources, pension expense, and information about the Plans' fiduciary net position in METRO's financial statements. The amounts reported were determined on the same basis as reported by the individual pension plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value. Comprehensive Annual Financial Reports (CAFR) for the defined benefit pension plans are located on METRO's Website with certain information taken from these CAFRs located in Note 4.

Commercial Paper

Obligations for the issuance of tax-exempt commercial paper are reported as a non-current liability only if they are supported by a non-cancellable, revolving credit, and term loan agreement that exceeds one year as of the date of the Statements of Net Position. In addition, the agreement must be issued by an organization with the financial capacity to support their commitment. Obligations that do not meet these requirements will be reported as a current liability in the Statements of Net Position.

Use of Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassification

Certain amounts in the fiscal 2018 financial statements have been reclassified to conform the fiscal year 2019 financial statement presentation.

New Accounting and Reporting Standards

During FY2018 METRO implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard required METRO to restate the beginning FY2018 net position balance by recording the full amount of the net OPEB liability and related deferred outflows. These changes are reflected in the following schedule.

	October 1, 2017
Net position beginning of the year, as previously reported	$ 1,673,131,471
Adjustments to beginning net position	
Deferred outflows	
Non-Union	2,186,823
Union	8,763,217
Record additional OPEB liability	
Non-Union	(23,612,356)
Union	(269,737,876)
Total adjustments to beginning net position	(282,400,192)
Restated net position, beginning of the year	$ 1,390,731,279

New GASB statements adopted during FY2019	Effect on Financial Reporting
Statement No. 91, *Conduit Debt Obligations*	No change required
Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*	No change required
Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*	Additional disclosure
Statement No. 83, *Certain Asset Retirement Obligations*	No change required

New GASB statements that are being evaluated	Effective Date
Statement No. 87, *Leases*	FY2021
Statement No. 84, *Fiduciary Activities*	FY2020

2. Deposits and Investments Securities:

Deposits and Investments Including Compliance with the Texas Public Fund Investment Act (TPFIA)
METRO's deposit and investment activity complies with the TPFIA or policies (if more restrictive) established by the Board of Directors. Some items required by the TPFIA include written investment policies, designation of adequately trained investment officers, submissions (at least quarterly) of investment reports to the Board of Directors, and compliance reviews performed annually by the external auditors as part of the financial statement audit. In addition, the investment policy must be approved by the Board of Directors annually, which includes a list of authorized broker/dealers and investments, which are limited to obligations of the United States of America, its agencies; instrumentalities; money market mutual funds; commercial paper; fully collateralized repurchase agreements; local government investment pools; certificates of deposit; and other investments authorized by the TPFIA. Texas Local Government Investment Pools are not registered with the Security and Exchange Commission and do not report to any regulatory agency. The pools are independently audited each year and reported using a stable net asset value of $1.00 per share which approximates fair value.

Concentration of Credit Risk

METRO's investment policy requires a diversified portfolio that minimizes the risk of loss resulting from overconcentration of assets in specific maturity, issuer, or class of securities while placing limits on the allocation of funds between investment types.

Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are not subject to concentration of credit risk disclosure and represented $385,209,135 or 77.0 percent of total investments for FY2019 and $267,222,351 or 59.7 percent for FY2018.

Investments in a single issuer that were not explicitly guaranteed by the U.S government and exceeded 5% of the investment portfolio as of September 30, 2019 and 2018 included:

	Fiscal 2019		Fiscal 2018	
Investments in Government Sponsored Enterprises	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Federal Home Loan Banks	$ 44,751,339	8.95%	$ 55,461,330	12.39%
Federal Farm Credit Banks Funding Corporation	–	–	34,815,600	7.78%
Federal Home Loan Mortgage Corporation	35,004,700	7.00%	34,630,650	7.73%
Total	$ 79,756,039		$124,907,580	

Custodial Credit Risk

METRO's investment policy requires bank deposits to be insured by Federal Deposit Insurance Corporation or collateralized at least 102 percent of value with the collateral held by a nonaffiliated, federally insured financial institution. Investment securities are registered in METRO's name and held by an independent custodian.

Deposits

METRO's checking accounts and book balances for cash as of September 30, 2019 and 2018 were:

	Fiscal 2019	Fiscal 2018
Unrestricted		
Bank balances	$ 18,999,278	$ 5,799,420
Book balances	19,380,709	6,103,062

Investments

Fair Value Measurement

METRO categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. 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 quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs. METRO uses information provided by Wells Fargo Bank, N.A., the asset custodian, when reporting the fair value of its investments. Fair value of METRO's investments for FY2019 and FY2018 were:

FY2019 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasury notes	$ 157,973,047	$ 157,973,047	$ –	$ –
U.S. agencies	94,739,339	–	94,739,339	–
Certificate of deposits	20,000,000	–	20,000,000	–
Total debt securities	$ 272,712,386	$ 157,973,047	$ 114,739,339	$ –
Local government investment pools measured at the net asset value	227,236,088			
Total investments measured at fair value	$ 499,948,474			

FY2018 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasury notes	$ 33,469,770	$ 33,469,770	$ –	$ –
U.S. agencies	160,531,060	–	160,531,060	–
Certificate of deposits	20,000,000	–	20,000,000	–
Total debt securities	$ 214,000,830	$ 33,469,770	$ 180,531,060	$ –
Local government investment pools measured at the net asset value	233,752,581			
Total investments measured at fair value	$ 447,753,411			

Interest Rate and Credit Risk

METRO's investment policy is to minimize interest rate and credit risk by investing a majority of the portfolio in short-term investments such as commercial paper, money market mutual funds, instrumentalities, agencies, and obligations of the United States with maturities generally less than two years. Investments not issued by a government or sponsored agency must be rated not less than AAAm, A-1, P-1, F-1, or equivalent by a nationally recognized rating organization.

The fair value of METRO's investments held at September 30, 2019 and 2018 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	Fiscal 2019 Fair Value	Fiscal 2018 Fair Value	Credit Ratings
Unrestricted investments			
U.S. treasury notes	$ 99,105,490	$ 33,469,770	
U.S. agencies	94,739,339	160,531,060	Aaa/AA+
Local government investment pool	137,577,366	155,968,666	AAAm
Certificate of deposit	20,000,000	20,000,000	Collateral =Aaa
Total unrestricted investments	351,422,195	369,969,496	
Restricted investments			
Local government investment pool	89,658,722	77,783,915	AAAm
U.S. treasuries	58,867,557	–	
Total restricted assets	148,526,279	77,783,915	
Total Investments	$ 499,948,474	$ 447,753,411	

Investment by type and weighted average maturity as of September 30, 2019 consisted of the following:

Investment securities:	Fiscal 2019 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasury notes	$ 157,973,047	$ 137,780,897	$ 20,192,150	227 days
U.S. agencies	94,739,339	89,700,589	5,038,750	164 days
Local government investment pool	227,236,088	227,236,088	-	33 days
Certificate of deposits	20,000,000	20,000,000	-	110 days
Total Investments	$ 499,948,474	$ 474,717,574	$ 25,230,900	

Investment by type and weighted average maturity as of September 30, 2018 consisted of the following:

Investment securities:	Fiscal 2018 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasury notes	$ 33,469,770	$ -	$ 33,469,770	537 days
U.S. agencies	160,531,060	100,460,020	60,071,040	293 days
Local government investment pool	233,752,581	233,752,581	-	29 days
Certificate of deposits	20,000,000	20,000,000	-	109 days
Total Investments	$ 447,753,411	$ 354,212,601	$ 93,540,810	

Included in METRO's investment policy is the use of Local Government Investment Pools (LGIP). Each selected LGIP is required to operate under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. METRO uses LGIP to improve investment returns, liquidity, and protection of principal. Funds can be withdrawn daily with no penalties and interest is earned daily. All three LGIPs have ratings of at least AAAm by Standards & Poor's with a weighted average of maturity generally being no more than 60 days. Investments in LGIPs are measured using the net asset value.

3. Capital Assets

Changes in capital assets for fiscal year 2019 were as follows:

	October 1, 2018	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2019
Capital assets not depreciated:					
Land	$ 269,234,582	$ –	$ (387,662)	$ –	$ 268,846,920
Construction in progress	32,214,869	153,005,979	(386,406)	(98,491,382)	86,343,060
Total capital assets not depreciated	301,449,451	153,005,979	(774,068)	(98,491,382)	355,189,980
Capital assets depreciated:					
Administration and operating facilities	452,388,270	–	–	978,419	453,366,689
Park & Ride lots and transit centers	318,450,621	–	(1,816,080)	12,516,462	329,151,003
Buses and equipment	946,403,553	–	(43,878,845)	67,996,085	970,520,793
Rail cars	284,117,974	–	–	5,128,856	289,246,830
Rail infrastructure	2,014,594,476	–	(132,453)	4,441,839	2,018,903,862
Transitways/HOT lanes	582,745,101	–	–	1,826,468	584,571,569
Other property and equipment	69,580,108	–	(4,349,442)	5,603,253	70,833,919
Total capital assets depreciated	4,668,280,103	–	(50,176,820)	98,491,382	4,716,594,665
Less accumulated depreciation and amortization:					
Administration and operating facilities	(314,371,943)	(11,171,013)	–	–	(325,542,956)
Park & Ride lots and transit centers	(223,503,425)	(9,212,618)	1,760,420	–	(230,955,623)
Buses and equipment	(652,568,832)	(70,690,908)	43,431,632	–	(679,828,108)
Rail cars	(138,289,522)	(21,553,639)	–	–	(159,843,161)
Rail infrastructure	(310,552,601)	(55,470,605)	9,934	–	(366,013,272)
Transitways/HOT lanes	(431,891,391)	(17,315,202)	–	–	(449,206,593)
Other property and equipment	(37,033,287)	(9,151,492)	4,342,489	–	(41,842,290)
Total accumulated depreciation and amortization	(2,108,211,001)	(194,565,477)	49,544,475	–	(2,253,232,003)
Total capital assets being depreciated, net	2,560,069,102	(194,565,477)	(632,345)	98,491,382	2,463,362,662
Total capital assets, net	$2,861,518,553	$ (41,559,498)	$ (1,406,413)	$ –	$ 2,818,552,642

Changes in capital assets for fiscal year 2018 were as follows:

	October 1, 2017	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2018
Capital assets not depreciated:					
Land	$ 269,846,836	$ –	$ (612,254)	$ –	$ 269,234,582
Construction in progress	51,878,960	134,038,556	–	(153,702,647)	32,214,869
Total capital assets not depreciated	321,725,796	134,038,556	(612,254)	(153,702,647)	301,449,451
Capital assets depreciated:					
Administration and operating facilities	448,719,059	–	–	3,669,211	452,388,270
Park & Ride lots and transit centers	311,084,009	–	–	7,366,612	318,450,621
Buses and equipment	887,237,845	–	(48,224,723)	107,390,431	946,403,553
Rail cars	278,467,542	–	–	5,650,432	284,117,974
Rail infrastructure	1,995,269,475	–	–	19,325,001	2,014,594,476
Transitways/HOT lanes	581,526,088	–	–	1,219,013	582,745,101
Other property and equipment	70,736,598	–	(10,238,437)	9,081,947	69,580,108
Total capital assets depreciated	4,573,040,616	–	(58,463,160)	153,702,647	4,668,280,103
Less accumulated depreciation and amortization:					
Administration and operating facilities	(300,686,847)	(13,685,096)	–	–	(314,371,943)
Park & Ride lots and transit centers	(214,258,168)	(9,245,257)	–	–	(223,503,425)
Buses and equipment	(628,085,647)	(72,349,032)	47,865,847	–	(652,568,832)
Rail cars	(113,980,036)	(24,309,486)	–	–	(138,289,522)
Rail infrastructure	(253,685,519)	(56,867,082)	–	–	(310,552,601)
Transitways/HOT lanes	(412,830,311)	(19,061,080)	–	–	(431,891,391)
Other property and equipment	(38,964,944)	(8,210,678)	10,142,335	–	(37,033,287)
Total accumulated depreciation and amortization	(1,962,491,472)	(203,727,711)	58,008,182	–	(2,108,211,001)
Total capital assets being depreciated, net	2,610,549,144	(203,727,711)	(454,978)	153,702,647	2,560,069,102
Total capital assets, net	$ 2,932,274,940	$ (69,689,155)	$ (1,067,232)	$ –	$ 2,861,518,553

4. Retirement Plans

METRO has three pension plans and two postemployment healthcare plans. Two of the pension plans are noncontributory, single-employer, defined-benefit plans and one is a defined contribution plan. The postemployment healthcare plans are single-employer, defined benefit plans that are available to eligible retirees.

Pension and postemployment healthcare contributions are authorized by METRO's Board of Directors during the annual budgeting process. METRO's funding policy, for both pension plans, is to contribute each year the annual, actuarially determined contribution in equal payments over a 12-month period while OPEB is funded on a pay-as-you-go basis.

The monthly pension contributions are placed into separate trust accounts and will be used to fund pension payments as they become due. Independently audited financial statements are available for both defined-benefit pension plans on METRO's Website. METRO has no access to pension plan assets as they are kept in separate trust accounts and managed by two separate administrative committees. The Defined Benefit Pension Plans (Plans) asset custodian and disbursing agent is State Street Bank, which is responsible for executing/recording all investment transactions authorized by the plans, paying operating expenses, and issuing monthly payments to retirees.

Calculating amounts used in financial reporting and management of the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP) and the Non-Union Pension Plan (NUPP), the two defined benefit retirement plans, requires the use of actuarial assumptions. These assumptions reflect a long-term perspective in determining liabilities and expenses. Each year these assumptions are reviewed with the plans' actuary and adjusted based on actual performance. The amount ultimately paid may vary significantly from the amounts currently reported since retirement liabilities are based on long-term estimates and actuarial projections.

Changes in actuarial assumptions made during FY2019 and FY2018 for the TWUPP and the NUPP consisted of:

FY2019

TWUPP	NUPP
The mortality table was updated to Pub G-2010 projected forward (fully generational) with MP-2018 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables in anticipation of future mortality experience. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table was updated to Pub G-2010 projected forward (fully generational) with MP-2018 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables in anticipation of future mortality experience. Pub-2010 tables for disabled lives and Contingent Survivors were used.
The investment rate of return assumption changed from 6.75% to 6.50%.	The investment rate of return assumption changed from 6.75% to 6.50%.

Changes in assumptions, listed above, along with other economic and demographic losses increased the TWUPP net pension liability by $17,328,968 and the NUPP net pension liability by $12,142,845 during FY2019. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years.

FY2018

TWUPP	NUPP
The mortality table was updated to the RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected with Mortality Improvement Scale MP-2017	The mortality table was updated to the RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected with Mortality Improvement Scale MP-2017

Changes in assumptions, listed above, along with other economic and demographic gains reduced the TWUPP net pension liability by $4,102,054 and the NUPP net pension liability by $3,391,503 during FY2018. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years.

The net pension liability, as of September 30, 2019, for both defined benefit pension plans was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2018. The actuarial valuation was based on the discount rate and actuarial assumptions listed on page 36 and projected forward to the measurement date, September 30, 2019, in accordance with GASB Statement No. 68.

The discount rate used to determine the total pension liability for both defined benefit pension plans was 6.50% which is the same as the long-term expected investment rate of return. The use of the same rate is only appropriate when the depletion analysis, which covers the life of the individual plan, has projected cash inflows from contributions and investment earnings which will equal or exceed the projected outflows for expenses and benefit payments.

The projected long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges are combined to produce the projected 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. The best estimates of the projected arithmetic, real rates of return for each major asset class included in the Plan's target asset allocation as of January 1, 2018 are reflected on page 39 and 42 of this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2019 and September 30, 2018 was:

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2018	$ 109,652,392	$ 84,924,473	$ 194,576,865
Current year changes	64,768,859	33,290,453	98,059,312
Ending September 30, 2019	$ 174,421,251	$118,214,926	$ 292,636,177

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2017	$ 139,217,274	$ 104,275,254	$ 243,492,528
Current year changes	(29,564,882)	(19,350,781)	(48,915,663)
Ending September 30, 2018	$ 109,652,392	$ 84,924,473	$ 194,576,865

The ending net pension liabilities is measured each December 31 and reported nine months later in METRO's Statement of Net Position dated September 30 of each fiscal year. METRO's contributions for the period January 1 through September 30 of each year are reported as part of the deferred outflows as listed on the following schedule.

The deferred outflows and inflows for both defined benefit pension plans as of September 30, 2019 and September 30, 2018 were:

Deferred outflows for FY2019	TWUPP	NUPP	Total
Contributions between January 1, 2019 through September 30, 2019	$ 13,354,471	$ 9,485,439	$ 22,839,910
Difference between expected and actual economic/demographic experience	–	2,142,507	2,142,507
Change of assumption	18,919,849	7,929,821	26,849,670
Net difference between projected and actual earnings on pension investments	18,767,351	12,868,595	31,635,946
Total deferred outflows September 30, 2019	$ 51,041,671	$ 32,426,362	$ 83,468,033

Deferred outflows for FY2018	TWUPP	NUPP	Total
Contributions between January 1, 2018 through September 30, 2018	$ 11,723,521	$ 8,303,388	$ 20,026,909
Difference between expected and actual economic/demographic experience	–	5,721,801	5,721,801
Change of assumption	8,733,160	3,708,459	12,441,619
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2018	$ 20,456,681	$ 17,733,648	$ 38,190,329

Deferred inflows for FY2019	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 7,814,857	$ 953,383	$ 8,768,240
Change of assumption	2,514,606	370,130	2,884,736
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred inflows September 30, 2019	$ 10,329,463	$ 1,323,513	$ 11,652,976

Deferred inflows for FY2018	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 7,946,023	$ 1,698,214	$ 9,644,237
Change of assumption	4,345,882	659,294	5,005,176
Net difference between projected and actual earnings on pension investments	10,479,076	4,751,788	15,230,864
Total deferred inflows September 30, 2018	$ 22,770,981	$ 7,109,296	$ 29,880,277

Significant actuarial assumptions used in calculating the net pension liability and related pension expense for the defined benefit pension plans are listed below:

	TWUPP	NUPP
Valuation timing	January 1 of each year	January 1 of each year
Cost method	Entry age normal	Entry age normal
Inflation rate	2.3% per year IRS salary limit	2.3% per year IRS salary limit
Investment rate of return	6.50% per annum	6.50% per annum
Funding policy	Contributing annually the actuarially determined contribution requirement	Contributing annually the actuarially determined contribution requirement
Cost-of-living adjustments	None	None
Projected salary increases	2.75% per annum	2.75% per annum
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for ages 55 through 70	Varying percentage ranging from 10% to 100% for ages 55 through 70
Mortality and disabled mortality	PubG-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31, 2017 measurement	PubG-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31, 2017 measurement
Amortization of gains/losses		
Method	Level dollars/reestablished annually	Level dollars/reestablished annually
Period	25 years closed	25 years closed
Open to new members	No (as of October 1, 2012)	No (as of October 1, 2007)

TWUPP Defined Benefit Pension Plan

The TWUPP was established by METRO for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, which closed to new members on October 1, 2012, is a single employer, noncontributory defined benefit pension plan which is for employees covered by the collective bargaining agreement. Retirement benefits are established during periodic negotiations with the Transport Workers Union of America, AFL-CIO and Local 260 of the Transport Workers Union of America, AFL-CIO (Union). Postemployment health care costs are not included in the TWUPP.

The TWUPP was amended as part of the FY2018 labor negotiations. This amendment increased the benefit to $65 per year of service and requires participants to begin contributing $3 each week through payroll deductions. Employee contributions and the new employee retirement rate became effective on October 1, 2018. These changes do not apply to employees who retired prior to October 1, 2018.

The TWUPP provides for monthly normal retirement benefits based on the participant's years of service, but not less than $500 each month. The calculation for the monthly normal retirement benefit is based on the designated dollar amount times the number of credited years of service. The designated dollar amount used to determine the monthly normal retirement benefit is based on date of retirement and as allowed by the Union labor agreement. The most current monthly amounts paid for recent retirees are as follows:

August 1, 2002 through July 31, 2003	$ 50
August 1, 2003 through July 31, 2004	51
August 1, 2004 through July 31, 2005	52
August 1, 2005 through July 31, 2006	52
August 1, 2006 through July 31, 2007	53
August 1, 2007 through January 31, 2009	54
February 1, 2009 through September 30, 2018	60
October 1, 2018 to through present	65

Participants can only receive monthly distributions unless their balance is $5,000 or less, then the participant can elect to receive a lump-sum payment. TWUPP participants are 100% vested after five years of credited service. Participants become eligible to receive benefits at the earlier of 28 years of credited services or at age 60 with five years of credited service. The requirements for early retirement with reduced benefits are that an employee reaches age 55 with 25 years of credited service. In addition, TWUPP provides for disability retirement benefits with the requirement of having five years of credited service. Additional requirements include five years of vesting service for vested deferred retirement benefits and for preretirement spousal benefits.

Changes in plan participants between January 1, 2019 and January 1, 2018 were:

Participants	2019	2018	Change
Active	1,591	1,754	(163)
Terminated and vested	574	514	60
Retired	1,248	1,189	59
Disabled	192	201	(9)
Beneficiaries	351	335	16
Total for all participants	3,956	3,993	(37)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2018 with the amounts reported on METRO's September 30, 2019 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2019	2018
Total pension liability		
Changes for the year:		
Service cost	$ 4,647,472	$ 4,930,225
Interest on total pension liability	25,779,685	25,075,414
Changes of benefit terms	13,850,732	–
Difference between expected and actual experience	(4,970,092)	(2,012,736)
Changes of assumption	22,299,060	(2,089,318)
Benefit payments	(19,795,197)	(18,799,540)
Net change in total pension liability	41,811,660	7,104,045
Total pension liability beginning	387,009,780	379,905,735
Total pension liability ending	428,821,440	387,009,780
Plan fiduciary net position:		
Contributions from the employer	$ 15,680,817	$ 15,413,823
Recognized	(20,344,177)	39,154,613
Net investment income	1,827,598	1,215,017
Benefit payments	(19,795,197)	(18,799,540)
Administrative expenses	(326,240)	(314,986)
Net change in plan fiduciary net position	(22,957,199)	36,668,927
Plan fiduciary net position - beginning	277,357,388	240,688,461
Plan fiduciary net position - ending	254,400,189	277,357,388
METRO's net pension liability	$ 174,421,251	$ 109,652,392

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the total pension liability and related net pension liability for a 1% change in the discount rate as of September 30, 2019.

	1% Decrease to 5.50%	Current Discount Rate 6.50%	1% Increase to 7.50%
Net pension liability	$ 222,623,334	$ 174,421,251	$ 133,680,720

The best estimates of the projected arithmetic, real rates of return for each major asset class included in TWUPP target asset allocation as of January 1, 2019 are listed below:

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	BAML 3-Mon Tbill	0.28%	0.51%
US Core Fixed Income	Barclays Aggregate	20.70%	2.51%
US Global Bonds	Citi WGBI	13.05%	0.75%
US Large & Mid Caps	Russell 1000	12.30%	3.52%
US Small Caps	Russell 2000	7.52%	3.86%
US Large Value	Russell 1000 Value	4.10%	3.23%
US MidCap Growth	Russell MidCap Growth	4.30%	3.71%
US MidCap Value	Russell MidCap Value	2.87%	3.32%
Non-US Equity	MSCI ACWI xUS NR	12.41%	4.35%
Emerging Markets Equity	MSCI EM NR	6.00%	4.84%
Non-US Small Cap	S&P EPAC EMI	5.10%	4.45%
US REITs	FTSE NAREIT Equity REIT	11.37%	3.27%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			3.63%
Portfolio Nominal Mean Return			6.01%
Portfolio Standard Deviation			10.70%
Long-Term Expected Rate of Return			6.50%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2019 and FY2018 totaled $39,054,118 and $14,780,157, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The increase in pension expense for FY2019 primarily relates to the amortization of deferred outflows.

A deferred outflow of $51,041,671 and a deferred inflow of $10,329,463 was reported on the statement of net position as of September 30, 2019. Included in the deferred outflow are contributions, by METRO, totaling $13,354,471 for the period January 1, 2019 through September 30, 2019. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2020	$ 9,623,720
2021	5,486,610
2022	4,829,252
2023	7,418,155
Total	$ 27,357,737

NUPP Defined Benefit Pension Plan

METRO established the NUPP during December 1975 for the purpose of accumulating funds to pay retirement benefits and certain related administrative costs. The Plan, closed to new participants on October 1, 2007, is a single employer, noncontributory (since March 1, 1984) defined benefit pension plan which covers full-time police officers and administrative staff. Retirement benefits are established and can be amended by METRO’s Board of Directors. Postemployment healthcare costs are not included in the Plan.

The Plan participants are 100% vested after five years and can retire at age 65 (normal retirement age) or with reduced benefits after age 55 with 15 years of credited service. Monthly benefits are calculated using three factors, which include employee’s average earnings for the last three years, number of service years, and the retirement factor. The minimum monthly normal retirement benefit is $300 for those who retire at or after age 65 and with five years of credited service.

The NUPP offers several annuity options and a discounted lump-sum payment. To receive a lump sum payment, vested employees must withdraw their funds by the end of the year following their termination. After this time, they must select one of the annuity options upon their eligible retirement date. Employees who are totally disabled will continue to earn service years until their normal retirement age with their compensation, as of their disability date, used to calculate their benefits

Changes in plan participants between January 1, 2019 and January 1, 2018 were:

Participants	2019	2018	Change
Active	481	514	(33)
Terminated and vested	79	84	(5)
Retired	268	254	14
Disabled	–	–	–
Beneficiaries	51	49	2
Total participants	879	901	(22)

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2018 with amounts reported on METRO's September 30, 2019 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates)	
	2019	2018
Total pension liability		
Changes for the year		
Service cost	$ 3,034,984	$ 3,210,922
Interest on total pension liability	17,395,632	16,923,319
Changes of benefit terms	–	–
Difference between expected and actual experience	872,882	(2,443,045)
Changes of assumption	11,269,963	(948,458)
Benefit payments	(12,735,227)	(13,179,671)
Net change in total pension liability	19,838,234	3,563,067
Total pension liability beginning	260,941,732	257,378,665
Total pension liability ending	280,779,966	260,941,732
Plan fiduciary net position		
Contributions from the employer	11,073,254	11,307,275
Recognized gain/(loss)	(11,885,822)	-
Net investment income	337,555	25,029,850
Benefit payments	(12,735,227)	(13,179,671)
Administrative expenses	(241,979)	(243,606)
Net change in plan fiduciary net position	(13,452,219)	22,913,848
Plan fiduciary net position – beginning	176,017,259	153,103,411
Plan fiduciary net position – ending	162,565,040	176,017,259
METRO's net pension liability ending	$ 118,214,926	$ 84,924,473

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the total pension liability and related net pension liability for a 1% change in the discount rate as of September 30, 2019.

	1% Decrease to 5.50%	Current Discount Rate of 6.50%	1% Increase to 7.50%
Net pension liability	$ 144,361,915	$ 118,214,926	$ 96,013,625

The best estimates of the projected arithmetic, real rates of return for each major asset class included in the Plan's target asset allocation as of January 1, 2019, are listed below.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
US Cash	BAML 3-Mon Tbill	1.26%	0.51%
US Core Fixed Income	Barclays Aggregate	23.65%	2.51%
Global Bonds	Citi WGBI	9.41%	0.75%
US Large & Mid Caps	Russell 1000	14.79%	3.52%
US Small Caps	Russell 2000	4.01%	3.86%
US Small & Mid Caps	Russell 2500	3.39%	3.86%
US Large Value	Russell 1000 Value	4.07%	3.23%
US MidCap Growth	Russell MidCap Growth	4.26%	3.71%
Non-US Equity	MSCI ACWI xUS NR	13.48%	4.35%
Emerging Markets Equity	MSCI EM NR	5.54%	4.84%
Non-US Small Cap	S&P EPAC EMI	4.71%	4.45%
US REITs	FTSE NAREIT Equity REIT	11.43%	3.27%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			3.66%
Portfolio Nominal Mean Return			6.04%
Portfolio Standard Deviation			10.59%
Long-Term Expected Rate of Return			6.50%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2019 and FY2018 totaled $25,067,261 and $18,574,454 and was reported on the statement of changes in net position for each fiscal year. The increase in pension expense for FY2019 primarily relates to the amortization of deferred outflows.

A deferred outflow of $32,426,362 and a deferred inflow of $1,323,513 were reported on the statement of net position as of September 30, 2019. Included in the deferred outflow are contributions by METRO totaling $9,485,439 for the period January 1, 2019 through September 30, 2019. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2020	$ 9,784,850
2021	5,398,854
2022	1,760,463
2023	4,673,243
Total	$ 21,617,410

Defined Contribution Pension Plan (DCPP)

The NUPP was closed October 1, 2007 and the TWUPP was closed October 1, 2012 to new employees. Individuals hired after those dates are placed into a DCPP. As part of DCPP, METRO will contribute 2% of the employee's annual salary and will match up to an additional 4% of their contributions. All contributions are placed into a third-party trust account. Employee's vesting rates are 40% after the second year and 20% annually thereafter. Contributions by METRO for the current and previous two fiscal years were $6,558,342, $5,446,788 and $4,925,937, with employees contributing $5,719,637, $4,638,618 and $4,150,144.

Other Postemployment Benefits Plans Other Than Pension (OPEB)

METRO sponsors two single-employer, defined benefit Other Postemployment Healthcare Plans. These plans cover medical, dental and life insurance. The OPEB plan for employees covered under the collective bargaining agreement are paid by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Union OPEB Plan) based on contributions from METRO and retirees. The Non-Union OPEB Plan is managed by METRO with retiree's contribution being based on years of service. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of cost sharing between the employer and plan members. METRO is on a pay-as-you-go funding basis for these benefits.

The Union OPEB Plan is managed by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) which is a separate legal entity. The Trust is responsible for managing resources and establishing benefits for both active and retirees covered under the collective bargaining agreement. METRO's responsibility is limited to monthly contributions which are established during labor negotiations. Total monthly payments are based on the number of eligible participants (active and retirees) times a standard amount of $1,115 for FY2019. This amount will change annually and is based on the terms of the labor contract. To qualify for this retirement benefit, an employee must be (1) 60 years old with 5 years of credited service, (2) any age with 28 years of credited services, (3) or 55 years old with 25 years of credited service or meet disability qualifications. In addition to payments made to the Union OPEB Plan, METRO provides life insurance of $20,000 for each participant. The Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

The Non-Union OPEB Plan is administered by METRO and covers full-time employees with payments made as services are provided. To qualify for this benefit, an employee must be (1) Age 65, (2) or 55 years or older with 5 years of credited services. Employees hired after December 31, 2009 are not eligible for postretirement medical and dental benefits but remain eligible for life insurance with a maximum benefit of $14,000. Effective October 1, 2012, METRO moved post-65 retirees and spouses to Extend Health. This plan is capped at $2,801 per person annually and includes medical, dental, vision, and pharmacy. Inactive employees are not covered. The Non-Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

Employees covered by the OPEB Plans as of January 1, 2019 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,545	1,353
Retirees	1,089	624
Beneficiaries	120	61
Total of all participants	3,754	2,038

Significant actuarial assumptions used in METRO's Other Postemployment Plans valuations are listed below. These valuations are performed annually on January 1st and rolled forward from the December 31st measurement date to the September 30th reporting date for each year.

	Union OPEB Plan	Non-Union OPEB Plan
Measurement date	December 31, 2018	December 31, 2018
Valuation date	January 1, 2019	January 1, 2019
Reporting date	September 30, 2019	September 30, 2019
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return without prefunding	December 31, 2017: 3.44% December 31, 2018: 4.10%	December 31, 2017: 3.44% December 31, 2018: 4.10%
Medical benefits inflation	3.00% per year to apply for 2022 and after following scheduled increases	Varying percentage ranging from 4.00% to 9.90% from 2019 to 2095
Funding policy	Pay-as-you-go	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for age 60 through 70	Varying percentage ranging from 10% to 100% for ages 55 through 70
Coverage assumption	75% of active employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement, 25% of current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately.	75% of employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement. They are assumed to elect coverage under the same medical plan they are currently electing, and at age 65 active employees are assumed to move into the Extend Health plan. Actives currently not electing medical coverage or who are electing a plan not available to retirees are assumed to choose the PPO Basic plan.

	Union OPEB Plan	Non-Union OPEB Plan
Spousal coverage	Upon retirement, 60% of future retirees are assumed to have a spouse electing coverage. Males are assumed to be three years older than their spouse. Current retirees with a spouse date of birth are assumed to have a spouse electing coverage upon the retiree's death. Actual age of spouse is used if provided. Current retirees without a spouse date of birth are assumed to not have a spouse electing coverage upon the retiree's death.	Upon retirement, 50% of future retirees are assumed to have a spouse electing coverage. Males are assumed to be 3 years older than their spouse. Actual age of spouse is used if provided for current retirees, otherwise the assumption is used.
Demographic Assumption	Milliman's Demographic Assumptions Study for the METRO Pension Plan for Union Employees dated June 22, 2017 and on the actuary's judgement and continual review of experience	Milliman's Demographic Assumptions Study for the METRO Pension Plan for Non-Union Employees dated June 22, 2017 and on the actuary's judgement and continual review of experience
Inflation assumption	2.3% per annum, compound annually	2.3% per annum, compound annually
Salary increase	2.75 % per annum, compound annually	2.75% per annum, compound annually
Disability	Varying percentage for male ranging from 0.12% to 1.75% and for female 0.07% to 1.01% for age 25 through 64	Varying percentage for male ranging from 0.12% to 1.75% and for female 0.07% to 1.01% for age 25 through 64
Withdrawal rates	Varying percentage ranging from 8.79% to 3.02% for age 25 through 64	Varying percentage ranging from 15.00% to 0% for age 25 through 60
Mortality basis after normal retirement	PubG.H-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and contingent survivors were also used.	PubG.H-2010 projected forward (fully generational) with MP-2018. Pub-2010 tables for disabled lives and contingent survivors were also used.
Open to new members	Yes	No (as of January 1, 2010)

Changes to actuarial assumptions used in preparing the FY2019 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Interest rate	Moved from 3.44% to 4.10%	Moved from 3.44% to 4.10%
Coverage assumption	The retiree medical coverage election assumption of eligible active employees at retirement was increased from 65% to 75%. The immediate retiree medical coverage election assumption for current retirees with only life insurance benefits was decreased from 100% to 25%.	No changes
Spousal coverage	The spousal retiree medical coverage election assumption upon the death of a future retiree was increased from 50% to 60%.	No changes
Mortality assumption	Move from RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected with Mortality Improvement Scale MP-2017 to PubG.H-2010 projected forward (fully generational) with MP-2019 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables.	Move from RP-2014 Mortality Table adjusted backwards to 2006 with Mortality Improvement Scale MP-2014 and projected with Mortality Improvement Scale MP-2017 to PubG.H-2010 projected forward (fully generational) with MP-2018 to reflect 2019 Society of Actuaries Public Plans Mortality Study tables.

Change in the Net OPEB Liability for FY2019 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Balance as of September 30, 2018	$ 523,077,639	$ 86,374,719	$ 609,452,358
Current year changes			
Service cost	21,125,691	1,473,992	22,599,683
Interest on total OPEB liability	18,390,206	2,879,713	21,269,919
Plan changes	5,155,155	–	5,155,155
Economic/demographic losses	(3,585,114)	(2,140,599)	(5,725,713)
Assumption changes or inputs	(70,006,376)	(6,373,888)	(76,380,264)
Benefit payments	(12,141,084)	(4,025,079)	(16,166,163)
Balance as of September 30, 2019	$ 482,016,117	$ 78,188,858	$ 560,204,975
Covered payroll	$ 131,311,637	$ 94,847,245	
Net OPEB liability as a percentage of covered payroll	367.08%	82.44%	

Change in the Discount Rate and its effect on the Net OPEB Liability Balance are:

Union OPEB Plan		
1% Decrease 3.10%	Current Rate 4.10%	1% Increase 5.10%
$ 563,574,617	$ 482,016,117	$ 416,844,500

Non-Union OPEB Plan		
1% Decrease 3.10%	Current Rate 4.10%	1% Increase 5.10%
$ 87,659,691	$ 78,188,858	$ 70,363,432

Change in the Healthcare Cost Trend Rate and its effect on the Net OPEB Liability Balance are:

Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 413,775,953	$ 482,016,117	$ 568,502,497

Non-Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 74,128,720	$ 78,188,858	$ 83,029,114

During FY2019 METRO recognized OPEB cost totaling $36,010,696 of which $34,200,350 related to the Union and $1,810,346 related to the Non-Union plan. During FY2018 METRO recognized OPEB cost totaling $44,404,644 of which $40,158,402 related to the Union and $4,246,242 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

Deferred outflows for FY2019	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2019 through September 30, 2019	$ 9,361,382	$ 2,189,277	$ 11,550,659
Difference between expected and actual economic/demographic experience	–	–	–
Total deferred outflows September 30, 2019	$ 9,361,382	$ 2,189,277	$ 11,550,659

Deferred inflows for FY2019	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 3,087,181	$ 1,997,073	$ 5,084,254
Change of assumption	61,681,367	6,936,413	68,617,780
Total deferred inflows September 30, 2019	$ 64,768,548	$ 8,933,486	$ 73,702,034

Deferred outflows for FY2018	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2018 through September 30, 2018	$ 9,112,864	$ 3,118,608	$ 12,231,472
Difference between expected and actual economic/demographic experience	–	–	–
Total deferred outflows September 30, 2018	$ 9,112,864	$ 3,118,608	$ 12,231,472

Deferred inflows for FY2018	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ –	$ 391,764	$ 391,764
Change of assumption	1,647,760	2,570,594	4,218,354
Total deferred inflows September 30, 2018	$ 1,647,760	$ 2,962,358	$ 4,610,118

Annual amortization of net deferred outflows and inflows (excluding contributions) will be reported as part of OPEB cost in the following year:

Fiscal Year	Union OPEB Plan	Non-Union OPEB Plan	Total
2020	$ (10,470,702)	$ (2,543,359)	$ (13,014,061)
2021	(10,470,702)	(2,543,359)	(13,014,061)
2022	(10,470,702)	(2,010,309)	(12,481,011)
2023	(10,470,702)	(1,669,507)	(12,140,209)
2024	(10,470,702)	(166,952)	(10,637,654)
Thereafter	(12,415,038)	–	(12,415,038)
Total	$ (64,768,548)	$ (8,933,486)	$ (73,702,034)

No actuarially determined contribution amount is developed as METRO funds OPEB cost on a pay-as-you-go basis.

5. Self-Insurance

The Risk Management Department is responsible for developing and implementing safety/training programs, establishing a self-insured liability for workers' compensation and third-party property/bodily injury claims, and purchasing insurance policies. Some of the insurance policies purchased annual include windstorm, national flood insurance, pollution, commercial, fiduciary, railroad, public officials, law enforcement, cyber, drone, auto and physical damage.

The self-insured liability for workers' compensation, property and personal injury is adjusted annually and is based on an independent actuarial study.

METRO's liability is generally limited by the Texas Tort Claims Act to $100,000 for any one person in any one occurrence, and a total of $300,000 for each occurrence in personal injury or death; and a limit of $100,000 for each occurrence in property damage.

Balance and related changes for the self-insured liability for FY2019 and FY2018 were:

	Balance at the Beginning of the Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at the End of the Fiscal Year
October 1, 2018 - September 30, 2019	$ 15,621,751	$ 10,914,005	$ (7,413,175)	$ 19,122,581
October 1, 2017 - September 30, 2018	$ 15,255,212	$ 6,216,226	$ (5,849,687)	$ 15,621,751

METRO's ultimate liability for claims could be higher or lower than the amount accrued; however, management believes the differences will not materially affect its financial position.

6. Public/Private Development

Development

During FY2006, METRO leased 11.5 acres of land for 99 years to A-S 90 HWY 290-Skinner, L.P. (lessee), the right (a ground lease) to develop, construct, operate, and maintain a mixed-use residential and commercial facility. METRO maintains a continuing financial interest in the property and must grant prior approval for certain activities, sales, assignments, transfers, and subleasing by the lessee.

As part of the development program, METRO paid $16,630,466 to the lessee for the construction of a multilevel parking garage, transit center and other related improvements known as Cypress Park & Ride. The garage provides parking for tenants and Park & Ride patrons and is maintained by METRO with up to 20% of certain expenses billed to the lessee. The lessee is responsible for maintaining the grounds and may bill METRO up to 33.89% of the cost to maintain the drainage facilities/detention pond and certain common areas. The remaining cost associated with the property and improvement (excluding the garage) is paid by the lessee with most payments being included when calculating METRO's 25% share of cash flow participation rent.

METRO receives $50,000 annually in base rent, paid monthly, and cash flow participation rent calculated as 25% of the net cash flows of the leases less most expenses, reasonable reserves, and the base rent. Upon certain payment events, METRO will receive participation payments calculated as 25% of the net proceeds. These payment events include sale, casualty, condemnation action, or permanent financing of the project. All cash flow participation rent will cease if the lessee sells its interest to a third party. No cash flow participation rents or payment events have been received by METRO through FY2019.

7. Commitments and Contingencies

In addition to the retirement plans discussed in Note 4, METRO has various commitments and contingencies as listed below:

Outstanding Value of Contracts

METRO has various contracts for materials, services, and construction activities, some of which cover multiple fiscal years. The outstanding value of contracts as of September 30, 2019 was approximately $257 million. Payments to vendors will be made from sales tax collections, transit fares, debt proceeds, and grants.

Agreements to Fund Local Infrastructure Improvements and Mobility Programs

METRO makes payments to or on behalf of Harris County, the City of Houston, and the 14 cities (Multi-cities) within METRO's service area for infrastructure improvement and mobility programs. These payments were reauthorized on November 5, 2019 as part of the METRONext Moving Forward Plan referendum and will continue through September 30, 2040. Funding for the program is provided by 25% of sales tax receipts with any growth after September 30, 2014 shared equally between METRO and the program. Final distribution of funds to the local governments within METRO's service area will be based on interlocal agreements as approved by the Board of Directors. Funds held and not yet disbursed at the end of FY2019 totaled $79,466,390.

Expenses related to these agreements are reported as local infrastructure assistance in the Statements of Revenues, Expenses, and Changes in Net Position as funding requests are received and accepted by METRO.

Baybrook Municipal Utility District No. 1 (MUD) Congestion Mitigation/Traffic Management Agreement

METRO entered into an agreement on January 1, 2001 where one half of all METRO's sales and use tax collected within the MUD's service area would be remitted monthly and used by the MUD for the construction, acquisition, improvements and financing of transportation projects. This agreement is for a term of 30 years or until the MUD is annexed by the City of Houston for full purpose as provided in the Strategic Partnership Agreement. Amounts remitted during FY2019 and FY2018 totaled $1,734,930 and $1,890,245, respectively.

Houston Sports Authority Sales and Use Tax Revenue Contribution Agreement

METRO entered into an agreement on November 30, 2000 where METRO's sales and use tax revenue collected at Reliant Park would be remitted quarterly to the Harris County – Houston Sports Authority for use in supporting infrastructure improvements and payment of certain outstanding debt. This agreement remains in place until the related debt is paid but for no more than 40 years. Amounts remitted during FY2019 and FY2018 totaled $2,225,913 and $2,966,271.

Lease/Sublease Agreements for Fareboxes and Radios

The lease/sublease agreement for fareboxes and radios expired on January 1, 2018. No changes occurred during FY2019 with FY2018 activity consisting of:

September 30, 2017 Unamortized Balance	FY2018 Amortization	September 30, 2018 Unamortized Balance
$2,213,152	$ (2,213,152)	$ –

Debt

Debt consists of commercial paper, bonds, and contractual obligations, which are supported by sales and use tax revenues. Commercial paper is reported as current or long-term depending on credit support arrangements, which allows for financing on a long-term basis if needed.

Commercial Paper

METRO is authorized to issue up to $400 million in Sales and Use Tax Revenue Commercial Paper Notes (CP). These notes are supported by pledging 75% of METRO's Sales and Use Tax Revenue and interest earned on related investments. To support the CP program in case of a remarketing failure, METRO established two revolving credit and term loan agreements totaling $165 million. A-1 is for $140 million with JPMorgan Chase Bank, National Association and expires on June 30, 2021. A-3 is for $25 million with State Street Bank and Trust Company and expires on June 30, 2021. Both commercial paper obligations are reported as a long-term liability on the Statements of Net Position since the related revolving credit and term loan agreements expire more than one year after September 30, 2018.

In addition to the interest cost discussed below, METRO is required to pay an annual commitment fee for unused funds which ranges from 0.34% to 4.05% depending on the lowest credit rating issued by Moody or Standards and Poor's.

Period	Bank Rate
Day 1 through Day 14	Initial Base Rate
Day 15 through Day 90	Base Rate
Day 91 through Day 180	Base Rate plus 2.00% per annum
Day 181 through the day the amount	Term Out Rate

Where the "*Initial Base Rate*" means for any day the higher of (a) the Banks' (as discussed above) U.S. prime commercial lending rate in effect for such day (as such U.S. prime commercial lending rate is announced from time to time by the Bank at its principal New York office) and (b) the sum of 1.00% per annum plus the Federal Funds Rate for such day (it being understood that each change in such Initial Base Rate is to be effective for purposes of this agreement on the day on which such change is effective for the Bank's purposes). Each determination of the Initial Base Rate by the Bank will be conclusive and binding on METRO and the Bank, absent manifest error: "*Base Rate*" means for any day the higher of (a) the Bank's U.S. prime commercial lending rate in effect for such day (as such U.S. prime commercial lending rate is announced from time to time by the Bank at its principal New York office) plus 2.00% per annum (b) the sum of 3.00% per annum plus the Federal Funds Rate for such day (it being understood that each change in such Base Rate is to be effective for purposes of this Agreement on the day on which such change is effective for the Bank's purposes), and (c) 9.00% per annum. Each determination of the Base Rate by the Bank will be conclusive and binding on METRO and the Bank, absent manifest error; where "*Term Out Rate*" shall never exceed the "*Maximum Interest Rate*" meaning the lesser of (a) maximum non-usurious interest rate that may, under applicable federal law and applicable state law (including specifically Chapter 1204, *Texas Government Code*), be contracted for, charged, or received under such laws and (b) 25% per annum.

Proceeds from CP were used to make payments for General Mobility expenditures or eliminating outstanding notes of the same series. Changes and outstanding CP by series as of September 30, 2019 were as follows:

Series	October 1, 2018	Proceeds	Repayments	September 30, 2019
A-1	$ 94,100,000	$ 526,400,000	$ (526,400,000)	$ 94,100,000
A-3	22,000,000	141,000,000	(141,000,000)	22,000,000
Total	$ 116,100,000	$ 667,400,000	$ (667,400,000)	$ 116,100,000

Series	Amount Issued	Maturity Date	Remaining Days Outstanding	Nominal Rate %
A-1	$ 29,100,000	10/03/2019	3	1.68
A-1	26,450,000	10/24/2019	24	1.59
A-1	30,650,000	12/11/2019	72	1.42
A-1	7,900,000	12/11/2019	72	1.55
	94,100,000			
A-3	13,000,000	10/17/2019	17	1.41
A-3	9,000,000	11/14/2019	45	1.50
	22,000,000			
Total	$ 116,100,000			

Changes for CP by series for FY 2018 were as follows:

Series	October 1, 2017	Proceeds	Repayments	September 30, 2018
A-1	$ 94,400,000	$ 386,950,000	$ (387,250,000)	$ 94,100,000
A-3	22,000,000	97,000,000	(97,000,000)	22,000,000
Total	$ 116,400,000	$ 483,950,000	$ (484,250,000)	$ 116,100,000

Bonds and Contractual Obligations

Interest and principal payments for bonds and contractual obligations are guaranteed from sales tax receipts that are deposited directly by the bank each month into a third-party trust account. Funds deposited in the third-party trust account or debt proceeds not yet disbursed are reported as Investments – restricted in the Statements of Net Position.

Scheduled payments over the remaining life of the bonds and contractual obligations are:

Sales and Use Tax Bonds and Contractual Obligations

	Contractual Obligations Series 2010A (Buses)		Bonds Series 2011A (Rail Construction)		Contractual Obligations Series 2011B (Buses)	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ –	$ 344,250	$ –	$ 15,409,000	$ –	$ 431,950
2021	2,845,000	273,125	9,835,000	15,163,125	–	431,950
2022	4,040,000	101,000	10,340,000	14,658,750	4,680,000	338,350
2023	–	–	5,870,000	14,253,500	4,895,000	122,375
2024	–	–	–	14,106,750	–	–
2025-2029	–	–	–	70,533,750	–	–
2030-2034	–	–	56,055,000	66,152,125	–	–
2035-2039	–	–	109,730,000	43,352,000	–	–
2040-2044	–	–	116,350,000	8,920,250	–	–
2045-2049	–	–	–	–	–	–
	$ 6,885,000	$ 718,375	$ 308,180,000	$ 262,549,250	$ 9,575,000	$ 1,324,625

Sales and Use Tax Bonds and Contractual Obligations

	Contractual Obligations Series 2014 (Rail Vehicles)		Sales and Use Tax Series 2015A (Commercial Paper Refund)		Contractual Obligations Series 2015B (Buses)	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 5,320,000	$ 3,937,250	$ 26,295,000	$ 1,314,750	$ 4,525,000	$ 2,395,375
2021	7,700,000	3,611,750	–	–	4,760,000	2,163,250
2022	8,090,000	3,217,000	–	–	5,000,000	1,919,250
2023	8,505,000	2,802,125	–	–	5,260,000	1,662,750
2024	8,945,000	2,365,875	–	–	5,530,000	1,393,000
2025-2029	30,770,000	6,579,250	–	–	25,095,000	2,587,875
2030-2034	12,075,000	301,875	–	–	–	–
2035-2039	–	–	–	–	–	–
2040-2044	–	–	–	–	–	–
2045-2049	–	–	–	–	–	–
	$ 81,405,000	$ 22,815,125	$ 26,295,000	$ 1,314,750	$ 50,170,000	$ 12,121,500

Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Sales and Use Tax Refunding Bonds Series 2016A Principal	Sales and Use Tax Refunding Bonds Series 2016A Interest	Sales and Use Tax Refunding Contractual Obligations Series 2016B Principal	Sales and Use Tax Refunding Contractual Obligations Series 2016B Interest	Direct Placement Series 2016C (Refunding) Principal	Direct Placement Series 2016C (Refunding) Interest
2020	$ –	$ 6,069,500	$ –	$ 1,247,925	$ 11,195,000	$ 391,977
2021	–	6,069,500	1,390,000	1,213,175	11,390,000	205,020
2022	4,390,000	5,959,750	1,460,000	1,141,925	–	–
2023	4,615,000	5,734,625	–	1,105,425	–	–
2024	–	5,619,250	1,600,000	1,065,425	–	–
2025-2029	91,240,000	17,146,250	9,335,000	4,007,250	–	–
2030-2034	21,145,000	528,628	11,850,000	1,485,013	–	–
2035-2039	–	–	–	–	–	–
2040-2044	–	–	–	–	–	–
2045-2049	–	–	–	–	–	–
	$121,390,000	$ 47,127,503	$ 25,635,000	$ 11,266,138	$ 22,585,000	$ 596,997

Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Sales and Use Tax Bonds Series 2016D (Buses) Principal	Sales and Use Tax Bonds Series 2016D (Buses) Interest	Sales and Use Tax Refunding Bonds Series 2017A Principal	Sales and Use Tax Refunding Bonds Series 2017A Interest	Sales and Use Tax Refunding Contractual Obligations Series 2017B Principal	Sales and Use Tax Refunding Contractual Obligations Series 2017B Interest
2020	$ 4,445,000	$ 2,111,125	$ –	$ 1,499,750	$ –	$ 5,047,500
2021	4,445,000	1,888,875	4,440,000	1,388,750	7,795,000	4,852,625
2022	4,445,000	1,666,625	2,635,000	1,211,875	11,695,000	4,365,375
2023	4,445,000	1,444,375	2,775,000	1,076,625	15,660,000	3,681,500
2024	4,445,000	1,222,125	13,860,000	660,750	18,150,000	2,836,250
2025-2029	22,220,000	2,777,000	6,285,000	318,125	40,520,000	6,062,750
2030-2034	–	–	–	–	7,130,000	178,250
2035-2039	–	–	–	–	–	–
2040-2044	–	–	–	–	–	–
2045-2049	–	–	–	–	–	–
	$ 44,445,000	$ 11,110,125	$ 29,995,000	$ 6,155,875	$100,950,000	$ 27,024,250

	Sales and Use Tax Bonds and Contractual Obligations					
	Direct Placement Refunding Bonds Series 2017C		Sales and Use Tax Contractual Obligations Series 2018		Sales and Use Tax Refunding Bonds Series 2019A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 470,000	$ 566,181	$ –	$5,951,500	$ –	$ 1,914,694
2021	480,000	555,209	–	5,951,500	–	3,206,000
2022	490,000	544,005	–	5,951,500	–	3,206,000
2023	500,000	532,570	9,015,000	5,726,125	–	3,206,000
2024	515,000	520,847	9,485,000	5,263,625	–	3,206,000
2025-2029	22,290,000	1,498,497	61,930,000	17,691,750	–	16,030,000
2030-2034	–	–	34,790,000	3,385,250	25,105,000	13,595,125
2035-2039	–	–	1,670,000	752,500	39,015,000	5,064,375
2040-2044	–	–	2,140,000	278,250	–	–
2045-2049	–	–	–	–	–	–
	$ 24,745,000	$ 4,217,309	$119,030,000	$50,952,000	$ 64,120,000	$ 49,428,194

	Sales and Use Tax Bonds and Contractual Obligations	
	Sales and Use Tax Refunding Bonds Taxable Series 2019B	
Fiscal Year	Principal	Interest
2020	$ –	$ 301,815
2021	1,065,000	496,888
2022	1,080,000	479,452
2023	–	470,493
2024	–	470,493
2025-2029	6,240,000	2,119,232
2030-2034	15,495,000	488,306
2035-2039	–	–
2040-2044	–	–
2045-2049	–	–
	$ 23,880,000	$ 4,826,679

Total Sales and Use Tax Bonds and Contractual Obligations

	Public Placement		Direct Placement		Total		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2020	$ 40,585,000	$ 47,976,384	$11,665,000	$ 958,158	$ 52,250,000	$ 48,934,542	$101,184,542
2021	44,275,000	46,710,513	11,870,000	760,229	56,145,000	47,470,742	103,615,742
2022	57,855,000	44,216,852	490,000	544,005	58,345,000	44,760,857	103,105,857
2023	61,040,000	41,285,918	500,000	532,570	61,540,000	41,818,488	103,358,488
2024	62,015,000	38,209,543	515,000	520,847	62,530,000	38,730,390	101,260,390
2025-2029	293,635,000	145,853,232	22,290,000	1,498,497	315,925,000	147,351,729	463,276,729
2030-2034	183,645,000	86,114,572	–	–	183,645,000	86,114,572	269,759,572
2035-2039	150,415,000	49,168,875	–	–	150,415,000	49,168,875	199,583,875
2040-2044	118,490,000	9,198,500	–	–	118,490,000	9,198,500	127,688,500
2045-2049	–	–	–	–	–	–	–
	$1,011,955,000	$ 508,734,389	$ 47,330,000	$ 4,814,306	$1,059,285,000	$ 513,548,695	$1,572,833,695

Principal payments for Sales and Use Tax Bonds and Contractual Obligations that were reported as a current liability on the Statement of Net Position for FY2019 and FY2018 included:

	Scheduled Principal Payments	
	FY2019	FY2018
Bonds Series 2009A	$ –	$ 4,195,000
Bonds Series 2011A	–	6,395,000
Contractual Obligations Series 2014	5,320,000	6,965,000
Sales and Use Tax Series 2015A (refunding of commercial paper)	26,295,000	17,525,000
Contractual Obligations Series 2015B	4,525,000	4,305,000
Sales and Use Tax Bonds Series 2016C (Refunding)	11,195,000	11,030,000
Sales and Use Tax Bonds Series 2016D	4,445,000	–
Direct Place Refunding Bonds Series 2017C	470,000	455,000
Total	$ 52,250,000	$ 50,870,000

Changes for FY2019 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2018 Principal	Additions	Principal Payments	October 1, 2018 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2019
Public Placement						
2009A	$ 4,195,000	$ –	$ (4,195,000)	$ 120,640	$ (120,640)	$ –
2009C	82,555,000	–	(82,555,000)	(747,581)	747,581	–
2010A	6,885,000	–	–	412,489	(103,122)	7,194,367
2011A	331,575,000	–	(23,395,000)	26,819,309	(2,897,211)	332,102,098
2011B	9,575,000	–	–	954,552	(190,910)	10,338,642
2014	88,370,000	–	(6,965,000)	11,935,297	(1,193,530)	92,146,767
2015A	43,820,000	–	(17,525,000)	3,106,141	(1,553,071)	27,848,070
2015B	54,475,000	–	(4,305,000)	7,967,558	(885,284)	57,252,274
2016A	126,245,000	–	(4,855,000)	27,472,194	(3,457,924)	145,404,270
2016B	25,635,000	–	–	5,181,789	(345,453)	30,471,336
2016D	44,445,000	–	–	6,364,461	(578,588)	50,230,873
2017A	29,995,000	–	–	4,777,578	(597,197)	34,175,381
2017B	100,950,000	–	–	18,333,230	(1,527,769)	117,755,461
2018	–	119,030,000	–	–	18,537,256	137,567,256
2019A	–	64,120,000	–	–	19,724,422	83,844,422
2019B	–	23,880,000	–	–	–	23,880,000
Subtotal	$ 948,720,000	$ 207,030,000	$ (143,795,000)	$ 112,697,657	$ 25,558,560	$ 1,150,211,217
Direct Placement						
2016C	33,615,000	–	(11,030,000)	–	–	22,585,000
2017C	25,200,000	–	(455,000)	–	–	24,745,000
Subtotal	$ 58,815,000	$ –	$ (11,485,000)	$ –	$ –	$ 47,330,000
Total	$ 1,007,535,000	$ 207,030,000	$ (155,280,000)	$ 112,697,657	$ 25,558,560	$ 1,197,541,217

Changes for FY2018 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2017 Principal	Additions	Principal Payments	October 1, 2017 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2018
Public Placement						
2009A	$ 17,230,000	$ –	$ (13,035,000)	$ 761,513	$ (640,873)	$ 4,315,640
2009B	6,050,000	–	(6,050,000)	99,994	(99,994)	–
2009C	82,555,000	–	–	(784,960)	37,379	81,807,419
2009D	16,550,000	–	(16,550,000)	1,193,276	(1,193,276)	–
2010A	22,660,000	–	(15,775,000)	1,446,109	(1,033,620)	7,297,489
2011A	363,320,000	–	(31,745,000)	30,390,673	(3,571,364)	358,394,309
2011B	31,670,000	–	(22,095,000)	3,255,226	(2,300,674)	10,529,552
2014	118,310,000	–	(29,940,000)	16,592,657	(4,657,360)	100,305,297
2015A	52,575,000	–	(8,755,000)	4,659,212	(1,553,071)	46,926,141
2015B	58,570,000	–	(4,095,000)	8,852,842	(885,284)	62,442,558
2016A	126,245,000	–	–	29,969,666	(2,497,472)	153,717,194
2016B	25,635,000	–	–	5,527,242	(345,453)	30,816,789
2016D	44,445,000	–	–	6,943,049	(578,588)	50,809,461
2017A	–	29,995,000	–	–	4,777,578	34,772,578
2017B	–	100,950,000	–	–	18,333,230	119,283,230
Subtotal	$ 965,815,000	$ 130,945,000	$ (148,040,000)	$ 108,906,499	$ 3,791,158	$ 1,061,417,657
Direct Placement						
2016C	44,505,000	–	(10,890,000)	–	–	33,615,000
2017C	–	25,200,000	–	–	–	25,200,000
Subtotal	$ 44,505,000	$ 25,200,000	$ (10,890,000)	$ –	$ –	$ 58,815,000
Total	$ 1,010,320,000	$ 156,145,000	$ (158,930,000)	$ 108,906,499	$ 3,791,158	$ 1,120,232,657

During FY2019 METRO issued three new debt obligations totaling (including premium) $246,569,101. The first debt obligation issued in early FY2019 (Sales and Use Tax Contractual Obligations Series 2018) will be used to purchase various capital assets. The next two debt obligations (2019A and 2019B) were used to complete the in-substance defeasance of previous outstanding debts as reflected in the following schedule. Funds received from the two 2019 refunding bonds were placed into an irrevocable trust which purchased eligible governmental securities. The cash flows from these securities will be adequate to make all interest and principal payments as they become due.

	Sales and Use Tax Refunding Bonds Series 2019A	Sales and Use Tax Refunding Bonds Taxable Series 2019B	Total Amounts for In-substance Defeased Debt and Other Activity
In-substance Defeased Debt			
Sales and Use Tax Bonds, Series 2009C	$ 82,555,000	$ -	$ 82,555,000
Discount	(710,202)	-	(710,202)
Sales and Use Tax Bonds, Series 2011A	-	17,000,000	17,000,000
Premium	-	1,319,604	1,319,604
Contractual Obligations Series 2016A	-	4,855,000	4,855,000
Premium	-	960,452	960,452
Total amount of defeased debt	81,844,798	24,135,056	105,979,854
Other related activity			
Issuance cost	334,091	175,258	509,349
Underwriter's discount	285,677	99,429	385,106
Proceeds of debt service funds	(1,997,171)	(635,517)	(2,632,688)
Total other related activity	(1,377,403)	(360,830)	(1,738,233)
Total amount of defeased debt and other related activity	80,467,395	23,774,226	104,241,621
Replacement debt			
Par value	64,120,000	23,880,000	88,000,000
Premium	19,724,422	-	19,724,422
Total replacement debt and premium	83,844,422	23,880,000	107,724,422
Deferred outflows/(inflows) from in-substance debt refunding	3,377,027	105,774	3,482,801
Current year amortization	-	-	-
Ending balance of deferred outflows/(inflows) as of September 30, 2019	$ 3,377,027	$ 105,774	$ 3,482,801
Net present value savings	$ 22,593,205	$ 2,193,049	
Interest rate used in the net present value calculation	1.68%	1.68%	

During FY2018 METRO issued three new debt obligations totaling (including premium) $181,380,774. Proceeds from these debts, net of issuance cost, were primarily used to complete the in-substance defeasance of certain outstanding debts by placing the funds into an irrevocable trust which purchased governmental securities. The cash flows from these governmental securities will be adequate to make all interest and principal payments as they become due. The 2017B debt proceeds were used to both refund certain debt obligations and to acquire new assets. The use of the proceeds are reflected in the following table

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2017A	Sales and Use Tax Refunding Contractual Obligations Series 2017B	Sales and Use Tax Bonds Series 2017C	Total Amounts for In-substance Defeased Debt and Other Activity
Sales and Use Tax Bonds, Series 2009A	$ 9,045,000	$ –	$ –	$ 9,045,000
Premium	520,233	–	–	520,233
Sales and Use Tax Bonds, Series 2011A	23,280,000	–	–	23,280,000
Premium	1,993,758	–	–	1,993,758
Contractual Obligations Series 2009B	–	4,665,000	–	4,665,000
Premium	–	99,995	–	99,995
Contractual Obligations Series 2009D	–	13,520,000	–	13,520,000
Premium	–	1,193,276	–	1,193,276
Sales and Use Tax Bonds, Series 2010A	–	12,425,000	–	12,425,000
Premium	–	930,497	–	930,497
Sales and Use Tax Bonds, Series 2011B	–	18,110,000	–	18,110,000
Premium	–	2,109,764	–	2,109,764
Sales and Use Tax Bonds, Series 2014	–	2,000,000	–	2,000,000
Premium	–	297,133	–	297,133
Sales and Use Tax Bonds, Series 2014	–	–	21,315,000	21,315,000
Premium	–	–	3,166,697	3,166,697
Total amount of defeased debt	34,838,991	55,350,665	24,481,697	114,671,353
Other related activity				
Issuance cost	330,157	821,616	253,424	1,405,197
Proceeds from METRO's debt service fund	(2,993,888)	–	(177,625)	(3,171,513)
Funds used to purchase new assets	–	69,198,000	–	69,198,000
Total other related activity	(2,663,731)	70,019,616	75,799	67,431,684
Total amount of defeased debt and other related activity	32,175,260	125,370,281	24,557,496	182,103,037
Replacement debt				
Par value	29,995,000	100,950,000	25,200,000	156,145,000
Premium	5,374,775	19,860,999	–	25,235,774
Total replacement debt and premium	35,369,775	120,810,999	25,200,000	181,380,774
Deferred outflows/(inflows) from in-substance debt refunding	3,194,515	(4,559,282)	642,504	(722,263)
Current year amortization	(1,214,855)	2,069,531	(91,878)	762,798
Ending balance of deferred outflows/(inflows) as of September 30, 2018	$ 1,979,660	$ (2,489,751)	$ 550,626	$ 40,535
Net present value savings	$ 712,988	$ 1,053,768	$ 906,860	$ 2,673,616
Interest rate used in the net present value calculation	1.78%	1.78%	2.31%	

Changes in deferred outflows and inflows for FY2019 and FY2018 relating to in-substance debt refunding activity include:

Changes in FY2019 Deferred Outflows from In-substance Debt Refunding

	Beginning Balance as of October 1, 2018	Addition	Amortization	Ending Balance as of September 30, 2019
Sales and Use Tax Refunding Bonds Series 2016A	$ 6,891,703	$ –	$ (3,124,404)	$ 3,767,299
Sales and Use Tax Refunding Contractual Obligations Series 2016B	805,372	–	(735,339)	70,033
Sales and Use Tax Bonds Series 2016C	56,712	–	(56,712)	–
Sales and Use Tax Refunding Bonds Series 2017A	1,979,660	–	(1,120,898)	858,762
Sales and Use Tax Bonds Series 2017C	550,626	–	(91,878)	458,748
Sales and Use Tax Refunding Bonds Series 2019A	–	3,377,027	–	3,377,027
Sales and Use Tax Refunding Bonds Series 2019B	–	105,774	–	105,774
	$ 10,284,073	$ 3,482,801	$ (5,129,231)	$ 8,637,643

Changes in FY2019 Deferred Inflows from In-substance Debt Refunding

	Beginning balance as of October 1, 2018	Addition	Amortization	Ending Balance as September 30, 2019
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ (2,489,751)	$ –	$ 1,618,718	$ (871,033)

Changes in FY2018 Deferred Outflows from In-substance Debt Refunding

	Beginning Balance as of October 1, 2017	Addition	Amortization	Ending Balance as of September 30, 2018
Sales and Use Tax Refunding Bonds Series 2016A	$ 10,016,107	$ –	$ (3,124,404)	$ 6,891,703
Sales and Use Tax Refunding Contractual Obligations Series 2016B	1,610,743	–	(805,371)	805,372
Sales and Use Tax Bonds Series 2016C	652,193	–	(595,481)	56,712
Sales and Use Tax Refunding Bonds Series 2017A	–	3,194,515	(1,214,855)	1,979,660
Sales and Use Tax Bonds Series 2017C	–	642,504	(91,878)	550,626
	$ 12,279,043	$ 3,837,019	$ (5,831,989)	$10,284,073

	Changes in FY2018 Deferred Inflows from In-substance Debt Refunding			
	Beginning balance as of October 1, 2017	Addition	Amortization	Ending Balance as of September 30, 2018
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ –	$ (4,559,282)	$ 2,069,531	$ (2,489,751)

In years prior to FY2019 METRO refunded certain debt obligations by issuing new debt and placing those proceeds into an irrevocable trust. The Trust used the proceeds to purchase governmental securities that will be used in making all future interest and principal payments over the remaining life of the debt as they become due. Debt related to these in-substance defeasance are no longer included in METRO's financial statements and their remaining outstanding par value as of September 30, 2019 totaled $358,340,000.

Operating Lease

METRO leases land, office space, transit centers, and software under various operating leases. Actual rental expenses for FY2019 and FY2018 were $8,985,886 and $9,112,556 respectively. Future payments for operating leases assume a 2% annual increase from the current year expense and consist of the following:

Fiscal Year Ending	Total Minimum Operating Leases Payments
2020	$ 9,165,604
2021	9,348,916
2022	9,535,894
2023	9,726,612
2024	9,921,144
Total	$ 47,698,170

Fuel Hedge Policy

The Board adopted a fuel hedge policy. As part of this policy, METRO can develop and implement a plan through physical forward contracts and/or financial contracts, which will provide fuel price certainty for up to 24 months of expected consumption. The tactics to achieve this goal may include: Fixed Price Future Delivery Contracts, Guaranteed Price Contracts (Swaps), Maximum/Minimum Price Contracts (Collars), and Maximum Price Contracts (Caps). Credit risk is minimized because all counterparties of contracts shall either have a minimum long-term rating of A3 or A- by at least two of the three nationally recognized rating agencies or have collateral posting requirements for entities with ratings below this level. Fuel purchases and related swap agreements cover the same time period and use the same index, which is the Platts U.S. Gulf Coast Ultra Low Sulfur Diesel. No up-front cash is received or paid by METRO when entering into any of these transactions. Diesel fuel swaps are considered effective with the positive or negative fair value being reflected in the Statements of Net Position as either a deferred inflow or outflow with a related current asset or current liability. No derivatives were reclassified during the previous two years from a hedging derivative to an investment derivative. METRO has adequate on-site diesel fuel storage facilities and expects to purchase all related hedged diesel fuel.

Outstanding Diesel Fuel Swaps

METRO had 33 diesel fuel swaps totaling 14,742,000 gallons outstanding as of September 30, 2019 of which 19 swaps totaling 5,964,000 gallons will settle in FY2020 and 14 swaps totaling 8,778,000 gallons will settle in FY2021.

As of September 30, 2018, METRO had 8 diesel fuel swaps totaling 12,096,000 gallons outstanding of which 7 swaps totaling 5,712,000 gallons settled in FY2019 and 1 swap totaling 6,384,000 gallons will settle in FY2020.

Market values of the outstanding swaps are calculated by the counterparties, Goldman, Sachs & Co. and Bank of America Merrill Lynch which are nationally recognized commodity traders. Outstanding hedges for last two years had a negative value of $908,127 for FY 2019 and a positive value of $7,344,809 for FY2018. FY2019 amount is reported on the Statements of Net Position as a deferred outflow of resources—diesel fuel swaps with an instrument – diesel fuel swaps asset and FY2018 amount is reported as a deferred inflow of resources-diesel fuel swaps with an instrument – diesel fuel swaps liability. Swaps which settled during the last two fiscal years reduced diesel fuel cost by $2,603,800 for FY2019 and by 6,179,689 for FY2018. These amounts were included as part of current operating cost in the Statements of Revenues, Expenses, and Changes in Net Position.

Compensated Absences (vacation and sick) are earned, as discussed in Note 1, based on employee classification. The ending balance is payable next fiscal year and has been reported in the current liability section of the Statements of Net Position as part of accrued compensation and benefits.

Changes during the last two years were:

	Beginning Balance	Expensed	Additions	Ending Balance
October 1, 2018 - September 30, 2019	$ 14,414,932	$ (18,649,025)	$ 19,112,085	$ 14,877,992
October 1, 2017 - September 30, 2018	$ 14,826,735	$ (17,917,790)	$ 17,505,987	$ 14,414,932

Contingencies

METRO executed a design and build contract with Houston Rapid Transit (“HRT”) for the construction of three new rail lines which went into service during FY2014 and FY2015. During FY2019 METRO and HRT finalized the contract performance issues which resulted in no additional amounts being recorded in METRO’s financial statements.

In November 2011, METRO executed a contract with Construcciones Auxlliar de Ferrocarriles, S.A. (“CAF”) to purchase rail vehicles for the new and existing rail lines. METRO and CAF are clearing performance issues which may be finalized during FY2020. Based on these issues and discussions, METRO does not anticipate owing CAF any additional money.

METRO is a defendant in various legal actions occurring in the normal course of its operations and has recognized, to the extent it believes necessary, liabilities for any reasonably expected losses that might arise from the final resolution of such litigation. In certain cases, however, management is not presently able to determine the ultimate liability, if any, that might arise upon final resolution of the various legal actions. In these instances, management believes the ultimate liability in excess of amounts recorded, if any, will not materially affect METRO’s financial position.

Federal and State Grants

Expenditures financed by federal and state grants are subject to audit by the granting agencies. Management believes no significant liability will arise from any such audits.

The rail expansion program which is funded by the FTA and local dollars consists of Phase One and Phase Two. METRO has calculated a preliminary true-up which compared eligible grant cost to related reimbursements received from the FTA. Based on this analysis, METRO will have to fund or return to the FTA approximately $30.6 million if no additional grant eligible related cost is incurred during the reminder of the project. The final amount, if any, reimbursable to the FTA will be determined during the final grant close-out which is expected to occur during FY2021.

Other Interlocal Agreements

These agreements are designed to reduce operating and capital cost while improving mobility throughout the service area. Some of these agreements include coordinating procurement and major construction activities, paying for maintenance/coordination of traffic lights along the light-rail lines and possible future construction modifications to the Westpark Toll Road. These agreements are in addition to the local infrastructure improvements and mobility programs agreements discussed on page 50.

8. Loss from Hurricane Harvey

METRO is working with the Federal Emergency Management Assistance (FEMA) and METRO's private insurance company to determine what money, if any, can be recovered from the approximate $13.6 million in damages incurred when Hurricane Harvey impacted the local area in August of 2017. Any related recovery will be recorded in the year received.

9. Subsequent Events

On November 5, 2019 the METRONext Moving Forward Plan (Plan) referendum totaling $7.5 billion was approved by the voters. The Plan includes route enhancements, signature bus service, accessibility improvements, rapid bus service, new or improved Park & Ride lots, transit centers and extension of the light rail lines to the City of Houston Municipal Court House, the North Shepard Park, Ride Lot, Hobby airport and the continuation of the General Mobility Program through September 30, 2040.

METRO reduced its September 30, 2019 outstanding in-substance defeased debt balance of $358,340,000 by authorizing the Trustee to redeem on November 1, 2019 $206,885,000 of outstanding debt. After this payment, the remaining in-substance defeased debt totaled $151, 455,000.

The health care cost trend rates for the Non-Union OPEB Plan include an adjustment to reflect the impact of the excise tax on high cost benefit plans (Cadillac Tax) which was established under the Affordable Care Act. The SECURE Act which was signed into law on December 20, 2019 included a repeal of the Cadillac tax effective December 31, 2019. Since the measurement date for the Non-Union OPEB Plan liability is December 31, 2018 it is appropriate for the excise tax to be included in the liability as of the reporting date of September 30, 2019. Had the repeal law been effective with for the measurement date of December 31, 2018, the reporting date for the Non-Union OPEB Plan liability on September 30, 2019 would have been reduced by $2.08 million from $78.19 million to $76.11 million, which is a decrease of 2.66%. The repeal law has no impact on FY2019 Union OPEB Plan liability.

METRO issued, at par value, Sales and Use Tax Refunding Bonds, Taxable Series 2020A during February 2020 totaling $304.1 million. Proceeds from this issuance along with $7.2 million of debt service reserve fund will be placed into irrevocable escrow account and used to settle $288.0 million of Sales and Use Tax Bonds Series 2011 A at the early call date of November 1, 2021. The refunded debt is considered defeased for financial reporting.

Required Supplemental Information

Schedule of Changes in the Net Pension Liability
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
(Unaudited)

	For the Years Ending September 30, (Reporting Dates) *				
	2019	2018	2017	2016	2015
Total pension liability					
Changes for the year					
Service cost	$ 4,647,472	$ 4,930,225	$ 5,328,754	$ 5,549,985	$ 5,435,165
Interest on total pension liability	25,779,685	25,075,414	24,589,485	24,786,145	22,446,888
Changes of benefit terms	13,850,732	–	–	–	–
Difference between expected and actual experience	(4,970,092)	(2,012,736)	(10,556,008)	(2,780,567)	–
Changes of assumption	22,299,060	(2,089,318)	(5,369,295)	25,679,785	–
Benefit payments	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)	(15,923,974)
Net change in total pension liability	41,811,660	7,104,045	(3,663,588)	36,667,939	11,958,079
Total pension liability - beginning	387,009,780	379,905,735	383,569,323	346,901,384	334,943,305
Total pension liability - ending	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384
Plan fiduciary net position					
Contributions from the employer	15,680,817	15,413,823	16,565,280	19,062,423	13,477,182
Recognized gain	(20,344,177)	39,154,613	–	–	–
Net investment income	1,827,598	1,215,017	17,696,392	(7,809,891)	8,434,984
Benefit payments	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)	(15,923,974)
Administrative expenses	(326,240)	(314,986)	(277,833)	(314,046)	(319,754)
Net change in plan fiduciary net position	(22,957,199)	36,668,927	16,327,315	(5,628,923)	5,668,438
Plan fiduciary net position – beginning	277,357,388	240,688,461	224,361,146	229,990,069	224,321,631
Plan fiduciary net position – ending	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069
METRO’s ending net pension liability	$174,421,251	$109,652,392	$139,217,274	$ 159,208,177	$116,911,315
Plan fiduciary net position as a percentage of the total pension liability	59.33%	71.67%	63.35%	58.49%	66.30%
Covered payroll	$ 97,251,000	$103,246,000	$106,575,000	$ 93,228,000	$ 92,277,000
METRO’s net pension liability as a percentage of covered payroll	179.35%	106.21%	130.63%	170.77%	126.70%

Notes to the Schedule

The following schedule summarizes the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.68 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2015.

	2019	2018	2017	2016	2015
The net effect of updating mortality table and other actuarial/demographic assumptions	Increase	Decrease	Decrease	Increase	First Year
Investment income	Increase	Decrease	Decrease	Increase	Increase
Open to new participants	No	No	No	No	No
Pension benefits	Increase	No change	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes

Required Supplemental Information

Schedule of Employer Contributions
For the Last 10 Fiscal Years
For the Transport Workers Union Pension Plan, Local 260, AFL-CIO (TWUPP)
(Unaudited)

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll (000)	Contribution as a % of Covered Payroll
2019	$ 15,631,361	$ 15,680,817	$ (49,456)	$ 97,251,000	16.12%
2018	15,413,823	15,413,823	–	103,246,000	14.93%
2017	16,565,280	16,565,280	–	106,575,000	15.54%
2016	15,410,109	19,062,423	(3,652,314)	93,228,000	20.45%
2015	13,477,182	13,477,182	–	92,277,000	14.61%
2014	14,335,058	14,335,058	–	91,830,000	15.61%
2013	14,444,476	14,444,476	–	94,043,000	15.36%
2012	13,493,650	13,493,652	(2)	93,675,000	14.40%
2011	12,416,838	12,416,849	(11)	88,184,000	14.08%
2010	12,185,737	12,185,737	–	85,317,000	14.28%

Note to the Schedule

The independent actuary used the cost method and assumptions, listed below, when calculating the most recent actuarially determined contribution reflected in the previous table. The cost method and actuarial assumptions used in early calculation may be different due to updating based on actual experience.

Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry age normal
Amortization method	Level dollars
Remaining amortization period	25 years
Inflation	2.3%, adapted for December 31, 2015 measurement and beyond
Salary increase	2.75%, adapted for December 31, 2016 measurement and beyond
Investment rate of return	6.50%, adapted for December 31, 2018 measurement and beyond (updated from 6.75% used for December 31, 2017 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 5% to 100% for ages 25 through 70
Turnover	Varying percentage ranging from 8.79% to 3.02% for ages 25 through 64
Mortality and disabled mortality	PubG.H-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31 , 2017 measurement)

Required Supplemental Information

Schedule of Changes in the Net Pension Liability
For the Non-Union Pension Plan
(Unaudited)

	For the Years Ending September 30, (Reporting Date) *				
	2019	2018	2017	2016	2015
Total pension liability					
Changes for the year					
Service cost	$ 3,034,984	$ 3,210,922	$ 3,465,270	$ 2,782,533	$ 2,753,593
Interest on total pension liability	17,395,632	16,923,319	16,607,887	15,165,652	13,384,981
Changes of benefit terms	–	–	–	–	–
Difference between expected and actual experience	872,882	(2,443,045)	9,768,147	6,720,589	–
Changes of assumption	11,269,963	(948,458)	2,530,507	12,232,736	–
Benefit payments	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)	(8,704,519)
Net change in total pension liability	19,838,234	3,563,067	21,997,229	28,123,760	7,434,055
Total pension liability - beginning	260,941,732	257,378,665	235,381,436	207,257,676	199,823,621
Total pension liability - ending	280,779,966	260,941,732	257,378,665	235,381,436	207,257,676
Plan fiduciary net position					
Contributions from the employers	11,073,254	11,307,275	11,181,136	11,248,671	9,006,301
Recognized gain/(loss)	(11,885,822)	–	–	–	–
Net investment income	337,555	25,029,850	9,971,104	(5,890,916)	4,217,106
Benefit payments	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)	(8,704,519)
Administrative expenses	(241,979)	(243,606)	(226,067)	(235,357)	(224,559)
Net change in plan fiduciary net position	(13,452,219)	22,913,848	10,551,591	(3,655,352)	4,294,329
Plan fiduciary net position – beginning	176,017,259	153,103,411	142,551,820	146,207,172	141,912,843
Plan fiduciary net position – ending	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172
METRO’s ending net pension liability	$118,214,926	$ 84,924,473	$104,275,254	$ 92,829,616	$ 61,050,504
Plan fiduciary net position as a percentage of the total pension liability	57.90%	67.45%	59.49%	60.56%	70.54%
Covered payroll	$ 41,769,919	$ 43,479,995	$ 46,853,004	$ 44,837,816	$ 45,601,509
METRO’s net pension liability as a percentage of covered payroll	283.01%	195.32%	222.56%	207.03%	133.88%

Notes to the Schedule

The following schedule summarizes the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.68 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2015.

	2019	2018	2017	2016	2015
The net effect of updating mortality table and other actuarial/demographic assumptions	Increase	Decrease	Increase	Increase	First Year
Investment income	Increase	Decrease	Decrease	Increase	Increase
Open to new participants	No	No	No	No	No
Pension benefits	No change	No change	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes

Required Supplemental Information

Schedule of Employer Contributions
For the Last 10 Fiscal Years for the Non-Union Pension Plan
(Unaudited)

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2019	$ 11,060,833	$ 11,073,254	$ (12,421)	$ 41,769,919	26.51%
2018	11,307,275	11,307,275	–	43,479,995	26.01%
2017	11,181,136	11,181,136	–	46,853,004	23.86%
2016	8,911,253	11,248,671	(2,337,418)	44,837,816	25.09%
2015	9,006,301	9,006,301	–	45,601,509	19.75%
2014	8,847,436	8,847,436	–	44,388,906	19.93%
2013	8,215,493	8,215,493	–	47,184,896	17.41%
2012	10,689,258	10,689,264	(6)	57,702,434	18.52%
2011	10,833,143	11,143,438	(310,295)	56,962,295	19.56%
2010	12,652,728	12,652,728	–	63,625,252	19.89%

Notes to the Schedule

The independent actuary used the cost method and assumptions, listed below, when calculating the most recent actuarially determined contribution amount reflected in the previous table. The cost method and actuarial assumptions used in early calculation may be different due to updating based on actual experience.

Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost method	Entry age normal
Amortization method	Level dollars
Remaining amortization period	25 years
Inflation	2.3%, adapted for December 31, 2015 measurement and beyond
Salary increase	2.75%, adapted for December 31, 2016 measurement and beyond
Investment rate of return	6.50%, adapted for December 31, 2018 measurement and beyond (updated from 6.75% used for December 31, 2017 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 10% to 100% for ages 55 through 70
Turnover	Varying percentage ranging from 15.00% to 5.52% for ages 25 through 55
Mortality and disabled mortality	PubG.H-2010 Mortality, projected forward (fully generational) with MP-2018 (updated from RP-2014 Mortality adjusted backwards to 2006 with MP-2014 and projected forward (fully generational) with MP-2017 used for December 31, 2017 measurement
Lump Sum Election	50% of participants are assumed to take a lump sum distribution at termination. Adopted for December 31, 2016 measurement and beyond

Required Supplemental Information

Schedule of Changes in the Net OPEB Liability
For the Union and Non-Union Plans
(Unaudited)

	Trust		Non-Union	
	2019	2018	2019	2018
Beginning Balance	$523,077,639	$496,360,601	$86,374,719	$88,364,782
Current year changes				
Service cost	21,125,691	21,070,017	1,473,992	1,774,146
Interest on total OPEB liability	18,390,206	19,338,046	2,879,713	3,345,948
Plan changes	5,155,155	-	-	-
Economic/demographic losses	(3,585,114)	-	(2,140,599)	(507,329)
Assumption changes or inputs	(70,006,376)	(1,897,421)	(6,373,888)	(3,328,881)
Benefit payments	(12,141,084)	(11,793,604)	(4,025,079)	(3,273,947)
Ending Balance	$482,016,117	$523,077,639	$78,188,858	$86,374,719
Covered payroll	$131,311,637	$84,138,690	$94,847,245	$68,838,771
Net OPEB liability as a percentage of covered payroll	367.08%	621.69%	82.44%	125.47%

Notes to the Schedule

Annual valuation reports that calculate contribution requirements are not prepared for the OPEB plans since they are funded on a pay-as you-go-basis. The following schedule summarizes the effect on the net OPEB liability for changes in significant actuarial assumptions, and participant benefits. GASB Statement No.75 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2018.

	Trust		Non-Union	
	2019	2018	2019	2018
The net effect of updating mortality table and other actuarial/demographic assumptions	Decrease	Decrease	Decrease	Decrease
Open to new participants	Yes	Yes	No	No
OPEB Benefits	Increase	No change	No change	No change
Pay-as-you-go	No change	No change	No change	No change

The Unaudited Statistical Section
Provides Multiyear Financial and Operating Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.
Statistical section information should be presented in five categories; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

a. *Financial trends information is intended to assist users in understanding and assessing how a government's financial position has changed over time.*

b. *Revenue capacity information is intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own-source revenues.*

c. *Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which a government operates and (2) to provide information that facilitated comparisons of financial statement information over time and among governments.*

d. *Operating information is intended to provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.*

e. *Debt capacity information is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.*

Analysis for the last three years is provided in the Management's Discussion and Analysis section of this report.

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2019 and the Last Nine Years (Unaudited)

	2019	2018	2017	2016
Assets				
Cash	$ 19,380,709	$ 6,103,062	$ 5,741,909	$ 6,290,165
Investments	351,422,195	369,969,496	313,417,478	321,815,619
Investments - restricted	40,765,567	51,655,159	57,582,105	57,233,949
Receivables				
Sales tax	129,554,693	124,326,094	113,506,648	114,167,276
Federal government - Federal Transit Administration	5,825,675	5,781,255	7,916,108	11,844,152
Bus passes and other receivables	8,689,553	11,142,730	13,886,887	10,408,552
Total receivables	144,069,921	141,250,079	135,309,643	136,419,980
Material and supplies inventory	35,928,117	34,861,544	34,802,548	32,775,189
Derivative instrument – diesel fuel swaps	–	7,344,809	3,805,801	–
Total current assets	591,566,509	611,184,149	550,659,484	554,534,902
Noncurrent assets				
Investments - restricted	107,760,712	26,128,756	38,563,709	42,358,586
Capital assets, net of depreciation	2,818,552,642	2,861,518,553	2,932,274,940	3,039,197,023
Prepaid pension	–	–	–	–
Other noncurrent assets	5,641,114	3,509,785	3,481,911	3,450,057
Prepaid rental payments	–	–	2,213,152	4,426,306
Total noncurrent assets	2,931,954,468	2,891,157,094	2,976,533,712	3,089,431,972
Total assets	3,523,520,977	3,502,341,243	3,527,193,196	3,643,966,874
Deferred outflow of resources				
Diesel fuel	908,127	–	–	1,394,262
Pension	83,468,033	38,190,329	77,554,921	92,324,541
OPEB	11,550,659	12,231,472	–	–
Debt refunding	8,637,643	10,284,073	12,279,043	16,991,634
Total deferred outflows of resources	104,564,462	60,705,874	89,833,964	110,710,437
Liabilities				
Current liabilities				
Trade payables	111,669,469	98,385,337	71,830,312	114,035,870
Accrued compensation and benefits	31,981,480	35,455,552	34,964,584	29,491,550
Liabilities for injuries and damages	7,413,175	5,849,687	6,060,315	4,800,475
Commercial paper	–	–	–	–
Other current liabilities	11,773,356	11,623,183	11,766,741	10,574,928
Capital lease obligations	–	–	–	77,311
Debt payable	52,250,000	50,870,000	54,570,000	44,155,000
Debt interest payable	19,356,209	20,095,911	19,883,931	19,579,295
Derivative instrument – diesel fuel swaps	908,127	–	–	1,394,262
Total current liabilities	235,351,816	222,279,670	199,075,883	224,108,691
Noncurrent liabilities				
Liabilities for injuries and damages	11,709,406	9,772,064	9,194,897	8,466,099
Commercial paper	116,100,000	116,100,000	116,400,000	117,400,000
Deferred rental payments	–	–	2,213,152	4,426,306
Capital lease obligation	–	–	–	–
Debt payable	1,145,291,217	1,069,362,657	1,064,656,499	1,077,655,925
Net OPEB liability	560,204,975	609,452,358	291,375,150	260,783,392
Net pension liability	292,636,177	194,576,865	243,492,528	252,037,793
Other noncurrent liabilities	–	–	–	–
Total noncurrent liabilities	2,125,941,775	1,999,263,944	1,727,332,226	1,720,769,515
Total liabilities	2,361,293,591	2,221,543,614	1,926,408,109	1,944,878,206
Deferred inflow of resources pension	11,652,976	29,880,277	13,681,779	2,168,916
Deferred inflow of resources OPEB	73,702,034	4,610,118	–	–
Deferred inflow of resources bonds	871,033	2,489,751	–	–
Deferred inflow of resources diesel fuel	–	7,344,809	3,805,801	–
Net position				
Net Investment in capital assets	1,703,033,487	1,741,285,896	1,822,890,974	1,920,547,528
Restricted assets – debt payments	65,994,756	77,783,915	86,303,282	85,736,440
Unrestricted assets	(588,462,438)	(521,891,263)	(236,062,785)	(198,653,779)
Total net position	$1,180,565,805	$1,297,178,548	$1,673,131,471	$1,807,630,189

2015	2014	2013	2012	2011	2010
$ 5,426,047	$ 3,671,108	$ 3,499,304	$ 1,769,157	$ 1,860,652	$ 1,564,969
410,462,331	316,174,054	313,657,041	358,828,979	91,458,100	119,209,517
45,240,619	31,839,343	28,942,440	37,265,000	64,489,262	27,175,720
117,212,671	119,462,662	110,821,904	103,035,680	97,394,471	83,314,283
12,041,883	25,218,342	73,106,988	26,811,825	17,050,424	62,448,555
12,855,952	10.798,847	10,277,726	13,570,522	12,754,087	21,626,869
142,110,506	155,479,851	194,206,618	143,418,027	127,198,982	167,389,707
28,996,881	24,749,710	20,407,175	17,532,502	21,648,175	22,400,422
–	–	1,348,147	3,691,843	–	4,967,134
632,236,384	531,914,066	562,060,725	562,505,508	306,655,171	342,707,469
50,949,645	67,007,168	27,851,305	129,308,971	415,681,262	66,206,184
3,139,596,631	3,081,386,561	2,978,791,191	2,579,580,094	2,292,560,426	2,031,910,494
–	26,091,075	26,346,959	26,678,091	26,781,617	27,849,894
3,645,852	3,518,211	6,325,672	3,449,420	3,900,541	9,301,614
7,246,855	10,067,401	52,168,306	64,374,346	191,360,541	213,018,249
3,201,438,983	3,188,070,416	3,091,483,433	2,803,390,922	2,930,284,387	2,348,286,435
3,833,675,367	3,719,984,482	3,653,544,158	3,365,896,430	3,236,939,558	2,690,993,904
15,041,432	1,899,588	–	–	3,151,246	–
32,384,271	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
47,425,703	1,899,588	–	–	3,151,246	–
114,457,190	83,276,299	149,021,462	125,067,467	150,161,474	124,829,224
30,140,189	26,922,386	27,430,216	23,759,406	25,055,498	24,703,772
4,866,124	4,657,529	3,679,238	3,385,061	3,723,095	5,317,508
–	–	187,000,000	26,600,000	–	190,000,000
13,385,191	8,687,095	8,824,195	9,005,559	7,295,986	15,000,793
8,951,781	8,543,263	8,129,906	7,899,879	7,707,103	7,222,767
28,155,000	13,920,000	13,365,000	12,895,000	12,297,176	6,435,000
20,429,616	20,515,002	17,976,710	18,287,887	8,323,783	8,155,478
15,041,432	1,899,588	–	–	3,151,246	–
235,426,523	168,421,162	415,426,727	226,900,259	217,715,361	381,664,542
9,390,567	6,196,311	7,014,731	5,715,969	13,581,122	10,985,722
121,300,000	183,400,000	–	162,400,000	190,000,000	–
7,246,855	10,067,401	52,168,306	64,374,346	191,360,541	213,018,249
57,614,124	66,723,307	75,423,971	83,711,279	91,611,157	99,475,662
1,058,832,615	958,059,450	823,268,698	839,645,874	852,540,873	301,233,434
230,234,947	202,045,812	169,059,735	143,594,021	116,266,986	86,263,172
177,961,819	–	–	–	–	–
–	–	–	–	–	4,802,679
1,662,580,927	1,426,492,281	1,126,935,441	1,299,441,489	1,455,360,679	715,778,918
1,898,007,450	1,594,913,443	1,542,362,168	1,526,341,748	1,673,076,040	1,097,443,460
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	1,348,147	3,691,843	–	4,967,134
2,016,537,016	2,027,406,944	1,948,427,986	1,729,440,810	1,641,082,035	1,663,152,543
79,101,851	65,681,932	56,793,745	71,335,683	74,504,866	20,307,480
(112,545,247)	33,881,751	104,612,112	35,086,346	(148,572,137)	(94,876,713)
$1,983,093,620	$2,126,970,627	$2,109,833,843	$1,835,862,839	$1,567,014,764	$1,588,583,310

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2019 and the Last Nine Years
(Unaudited)

	2019	2018	2017	2016
Operating revenues:				
Transportation fares	$ 75,294,678	$ 74,837,624	$ 72,817,352	$ 72,052,304
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	248,520,136	223,139,611	224,741,506	222,625,961
Contract service	48,963,055	46,217,396	45,623,522	47,355,960
Material distribution	7,601,492	7,241,607	7,389,679	7,042,407
Preventative maintenance	80,756,840	76,101,739	75,330,114	69,716,267
Central shop and maintenance support	29,662,492	27,614,092	26,416,417	24,284,783
Safety and training	5,251,606	4,699,939	4,627,538	4,433,619
Subtotal scheduled services - fixed route	420,755,621	385,014,384	384,128,776	375,458,997
Non-scheduled services-special				
METROLift	63,234,017	60,542,541	56,512,060	55,892,156
METRO Star Vanpool	10,253,334	10,095,148	9,274,464	5,947,081
HOT lanes and special events	6,081,620	7,762,167	9,130,525	8,200,762
Subtotal non-scheduled services – special	79,568,971	78,399,856	74,917,049	70,039,999
Service support				
Service planning and evaluation	7,072,677	7,309,286	8,153,583	4,376,730
Marketing	18,254,038	11,274,543	11,444,811	10,383,266
Transit security and traffic management	27,619,687	25,404,549	25,737,412	22,149,262
Insurance and claims	6,187,926	5,733,368	5,796,480	5,614,731
Ticket and fare collection	4,184,001	4,079,350	4,218,988	4,208,388
Facility maintenance	33,819,659	31,834,924	29,826,031	30,168,111
Subtotal service support	97,137,988	85,636,020	85,177,305	76,900,488
Organizational support				
Business, community, and governmental development	7,168,351	4,330,137	4,384,576	3,343,274
Administrative, financial, and personnel	19,648,796	18,572,642	17,902,790	16,352,030
Information systems	22,583,471	22,766,588	21,260,567	18,228,842
Purchasing	4,394,874	4,195,061	4,051,118	3,697,391
Oversight, audit, and legal	8,511,539	8,497,420	8,441,512	6,850,065
Subtotal organizational support	62,307,031	58,361,848	56,040,563	48,471,602
Depreciation and amortization	194,565,477	203,727,711	206,753,917	212,338,159
Total operating expenses	854,335,088	811,139,819	807,017,610	783,209,245
Operating loss	(779,040,410)	(736,302,195)	(734,200,258)	(711,156,941)
Nonoperating revenues (expenses):				
Sales tax	775,392,664	759,063,519	690,929,011	686,101,655
Investment income	12,040,338	6,413,959	3,551,729	1,220,156
Inter-government revenue	1,676,986	1,855,372	1,849,413	1,956,596
Noncapitalized interest expense	(46,371,218)	(46,704,097)	(46,539,847)	(43,109,587)
Other income	3,344,132	2,988,122	3,349,776	2,585,147
Grant proceeds	72,704,334	65,175,440	82,009,861	77,117,133
Local infrastructure assistance	(196,427,664)	(151,755,726)	(149,838,694)	(209,464,879)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(1,302,158)	(1,849,932)	(2,605,361)	(1,887,750)
Gain (loss) on sale or disposal of assets	876,612	(9,112)	(34,041)	(7,155,654)
(Loss)/recovery from declared disaster	1,778,236	(489,435)	(13,634,631)	–
Total nonoperating revenues (expenses)	623,712,262	634,688,110	569,037,216	507,362,817
Net increase (decrease) before capital grants	(155,328,148)	(101,614,085)	(165,163,042)	(203,794,124)
Capital grant proceeds	38,715,405	8,061,354	30,664,324	28,330,693
Changes in net position	(116,612,743)	(93,552,731)	(134,498,718)	(175,463,431)
Net position - beginning of the year 15 and 18 restated	1,297,178,548	1,390,731,279	1,807,630,189	1,983,093,620
Net position - end of the year	$1,180,565,805	$1,297,178,548	$1,673,131,471	$1,807,630,189

2015	2014	2013	2012	2011	2010
$ 74,651,045	$ 76,282,549	$ 72,782,991	$ 66,887,319	$ 68,740,526	$ 64,538,736
194,117,455	177,124,243	166,613,768	161,362,353	161,889,901	157,815,470
49,839,742	49,298,303	46,620,525	47,431,837	44,688,976	44,365,552
6,244,556	6,086,883	5,540,367	5,966,531	5,975,735	5,994,776
63,007,513	58,752,039	55,367,208	53,439,550	53,134,997	53,659,425
21,073,250	20,208,555	18,961,766	18,103,288	15,220,267	13,796,093
3,612,522	1,135,164	973,447	816,598	891,844	858,722
337,895,038	312,605,187	294,077,081	287,120,157	281,801,720	276,490,038
52,171,593	49,503,466	45,181,913	40,204,841	39,696,105	35,915,851
5,475,396	5,193,777	4,967,172	5,250,084	4,979,360	4,327,517
8,610,185	7,669,836	5,582,712	2,346,041	676,109	808,861
66,257,174	62,367,079	55,731,797	47,800,966	45,351,574	41,052,229
4,947,792	3,545,587	3,521,365	3,130,879	4,205,657	822,792
9,728,386	7,001,452	7,306,538	6,910,999	7,450,088	6,933,097
21,118,036	19,326,396	18,587,581	20,199,670	22,797,711	22,870,899
5,754,471	7,036,234	5,927,146	5,673,304	5,616,894	5,144,081
3,562,149	3,955,040	3,751,006	3,369,283	3,867,527	2,029,498
26,414,559	23,928,168	21,660,854	20,020,810	16,613,097	19,193,318
71,525,393	64,792,877	60,754,490	59,304,945	60,550,974	56,993,685
2,894,550	3,551,653	4,228,909	5,043,321	4,592,198	4,111,359
14,334,333	13,646,454	14,612,492	15,357,730	18,119,682	18,921,682
17,684,558	16,371,349	13,948,037	14,276,491	12,360,853	10,835,724
3,217,201	3,249,771	2,994,284	2,502,794	2,894,124	2,837,551
7,490,093	5,170,576	8,875,645	5,000,056	6,536,177	7,333,120
45,620,735	41,989,803	44,659,367	42,180,392	44,503,034	44,039,436
173,469,603	160,049,291	136,642,238	137,094,956	138,295,447	143,977,419
694,767,943	641,804,237	591,864,973	573,501,416	570,502,749	562,552,807
(620,116,898)	(565,521,688)	(519,081,982)	(506,614,097)	(501,762,223)	(498,014,071)
715,160,213	685,167,303	642,515,462	593,732,843	536,572,595	489,972,748
597,015	328,666	768,527	625,042	327,467	2,103,533
1,841,467	1,843,453	1,986,480	1,986,480	1,986,480	1,986,614
(14,501,373)	(10,723,830)	(9,888,885)	(13,461,589)	(16,660,720)	(8,083,163)
8,841,043	2,643,857	1,845,296	3,030,912	643,766	848,968
40,230,897	64,927,095	71,766,635	56,460,316	59,588,924	63,988,363
(149,505,814)	(161,502,564)	(170,373,931)	(222,054,292)	(188,467,654)	(150,091,349)
–	(105,756,522)	–	–	–	(180,308,408)
(2,097,344)	(3,368,756)	(2,016,422)	(1,528,115)	(2,538,648)	(393,193)
(3,130,847)	755,594	(470,021)	(316,485)	(2,723,630)	(1,095,753)
–	–	–	–	–	–
597,435,257	474,314,296	536,133,141	418,475,112	388,728,580	218,928,360
(22,681,641)	(91,207,392)	17,051,159	(88,138,985)	(113,033,643)	(279,085,711)
56,584,181	108,344,176	256,919,845	356,987,060	91,465,097	91,897,549
33,902,540	17,136,784	273,971,004	268,848,075	(21,568,546)	(187,188,162)
1,949,191,080	2,109,833,843	1,835,862,839	1,567,014,764	1,588,583,310	1,775,771,472
$1,983,093,620	$2,126,970,627	$2,109,833,843	$1,835,862,839	$1,567,014,764	$1,588,583,310

Metropolitan Transit Authority
of Harris County, Texas
Current Fares
(Unaudited)

	Full Fare		Discounted Fare		
	Previous*	Since November 2008	Previous*		Since November 2008
			Student, Senior, Disabled	Youth Age 5 to 11	Student, Senior, Disabled
Local/METRORail	$1.00	$1.25	$0.40	$0.25	$0.60
Park & Ride Zone 1	$1.50	$2.00	$0.60	$0.35	$1.00
Park & Ride Zone 2	$2.50	$3.25	$1.10	$0.65	$1.60
Park & Ride Zone 3	$3.00	$3.75	$1.25	$0.75	$1.85
Park & Ride Zone 4	$3.50	$4.50	$1.45	$0.85	$2.25
Park & Ride Zone 7**	N/A	$8.00	N/A	N/A	$4.00
Day Pass (Local & METRORail Only) ***	$2.00	$3.00			$1.50

* The previous Local fare was implemented in October 1994.
The previous Park & Ride fare was implemented in September 1996.

** Zone 7 is the Conroe Park & Ride, operated by METRO, which began service April 1, 2019.

*** The Day Pass was eliminated in February 2008 and reinstituted in October 2013.

Metropolitan Transit Authority of Harris County, Texas
Demographic Statistics
For the Last Ten Years
(Unaudited)

Year	Population PMSA* (000)	Per Capita Personal Income*	Sales Taxes	Houston-The Woodlands-Sugar Land MSA Unemployment Rate (%)
2019	7,051.3	$ 58,003	$ 775,392,664	3.6
2018	6,956.9	55,772	759,063,519	4.3
2017	6,866.7	53,730	694,666,299	4.1
2016	6,772.5	51,913	686,101,655	5.2
2015	6,647.5	53,859	715,160,213	4.6
2014	6,488.0	53,791	685,167,303	4.9
2013	6,324.2	50,979	642,515,462	6.0
2012	6,180.8	51,676	593,732,843	6.6
2011	6,057.4	47,517	536,572,595	7.8
2010	5,948.2	44,499	489,972,748	8.3

* Prior year published numbers may have changed due to revised information.
*** Annual except 2019, which is through November

Sources:
Population and Per Capita Personal Income–University of Houston C.T Bauer College of Business Institute for Regional Forecasting
Sales Tax – METRO’s Comprehensive Annual Financial Report
Unemployment Rate – Texas Workforce Commission

Metropolitan Transit Authority
of Harris County, Texas
Principal Corporate Employers
(Unaudited)

	2018			2009		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Walmart Stores Inc.	34,000	1	1.09%	–	–	–
H-E-B	26,956	2	0.87%	–	–	–
Memorial Hermann Health System	26,011	3	0.83%	–	–	–
Houston Methodist	22,247	4	0.71%	–	–	–
The University of Texas MD Anderson Cancer Center	20,189	5	0.65%	–	–	–
Kroger Company	17,188	6	0.55%	–	–	–
McDonald's Corp	16,100	7	0.52%	–	–	–
United Airlines	14,084	8	0.45%	–	–	–
Texas Children Hospital	13,445	9	0.43%	–	–	–
Exxon Mobil Corp	13,000	10	0.42%	13,353	2	0.49%
Continental Airlines (merger pending/United Airlines)	–	–	–	14,651	1	0.54%
Shell Oil Company	–	–	–	11,855	3	0.44%
Chevron Companies	–	–	–	7,000	4	0.26%
JP Morgan Chase	–	–	–	6,500	5	0.24%
AT&T Inc. (former SBC/Southwestern Bell)	–	–	–	6,047	6	0.22%
Baker Hughes Incorporated	–	–	–	5,369	7	0.20%
KBR Inc. (spun off from Halliburton)	–	–	–	5,089	8	0.19%
CenterPoint Energy (spun off from Reliant Energy)	–	–	–	4,750	9	0.17%
Aramark	–	–	–	4,500	10 (tie)	0.17%
Halliburton Company	–	–	–	4,500	10 (tie)	0.17%
	203,220			83,614		

* Based on calendar year.

Sources: GHP Houston Facts – 2018; Houston Chronicle

Note: Total County Employment for 2018 was an estimated 3,155,409 (based on prior year employment figures) and for 2009 was 2,715,000

Metropolitan Transit Authority of Harris County, Texas
Principal Payments (Including Debt Refunding) for Outstanding Debts
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bonds	Total
2019	$ –	$ –	$155,280,000	$155,280,000
2018	300,000	–	158,930,000	159,230,000
2017	1,000,000	77,311	44,155,000	45,232,311
2016	3,900,000	65,386,781	192,500,000	261,786,781
2015	62,100,000	8,543,263	13,920,000	84,563,263
2014	3,600,000	8,129,906	13,365,000	25,094,906
2013	2,000,000	7,899,879	12,895,000	22,794,879
2012	1,000,000	7,549,701	9,285,000	17,834,701
2011	–	7,222,767	6,435,000	13,657,767
2010	–	4,256,610	–	4,256,610

Metropolitan Transit Authority of Harris County, Texas
Outstanding Debts by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bond	Total Outstanding Obligations
2019	$116,100,000	$ –	$1,197,541,217	$1,313,641,217
2018	116,100,000	–	1,120,232,657	1,236,332,657
2017	116,400,000	–	1,119,226,499	1,235,626,499
2016	117,400,000	77,311	1,121,810,925	1,239,288,236
2015	121,300,000	66,565,905	1,086,987,615	1,274,853,520
2014	183,400,000	75,266,570	971,979,450	1,230,646,020
2013	187,000,000	83,553,877	836,633,698	1,107,187,575
2012	189,000,000	91,611,158	852,540,874	1,133,152,032
2011	190,000,000	99,318,260	864,838,049	1,154,156,309
2010	190,000,000	106,698,429	307,668,434	604,366,863

Additional information can be found in Note 7 to the basic financial statements.

Metropolitan Transit Authority
of Harris County, Texas
Debt-Revenue Coverage
Sales and Use Tax Bonds and Contractual Obligations
For the Last Nine Years
(Unaudited)

						Payments for Sales and Use Tax Bonds and Contractual Obligations				Coverage Ratio
Fiscal Year	Net Sales Tax Revenue (1)	Operating Revenues	Operating Grants	Less Operating Expenses Net of Depreciation	Net Available Revenue	Principal (2)	Interest Payments	Less IRS Interest Subsidy	Total	
2019	$ 593,031,139	$ 75,294,678	$ 72,704,334	$659,769,611	$ 81,260,540	$ 50,870,000	$ 51,656,757	$ 1,676,986	$100,849,771	0.81
2018	578,602,628	74,837,624	65,175,440	607,412,108	111,203,584	54,570,000	50,143,996	1,855,372	102,858,624	1.10
2017	519,026,128	72,817,352	82,009,861	600,263,693	73,589,648	44,155,000	44,905,658	1,849,413	87,211,245	0.84
2016	514,576,241	72,052,304	77,117,133	570,871,086	92,874,592	28,155,000	44,806,347	1,956,596	71,004,751	1.31
2015	536,370,159	74,651,045	40,230,897	521,298,340	129,953,761	22,463,263	44,611,552	1,841,467	65,233,348	1.99
2014	513,875,477	76,282,549	64,927,095	481,754,946	173,330,175	13,365,000	39,148,956	1,843,453	50,670,503	3.42
2013	481,886,596	72,782,991	71,766,635	455,222,735	171,213,487	12,895,000	39,623,581	1,986,480	50,532,101	3.39
2012	445,299,632	66,887,319	56,460,316	436,406,460	132,240,807	9,285,000	29,746,383	1,986,480	37,044,903	3.57
2011	402,429,446	68,740,526	59,588,924	432,207,302	98,551,594	6,435,000	14,897,376	1,986,480	19,345,896	5.09
2010	367,479,561	64,538,736	63,988,363	418,575,388	77,431,272	–	10,763,005	1,986,480	8,776,525	8.82

Additional information regarding outstanding debt can be found in the Note 7 to the financial statements.

(1) Net Sales Tax Revenue is gross sales tax receipt reduced by the amount assigned to the General Mobility Program and Sales Tax Rebate Program.

(2) Principal payments exclude refunding activity.

Metropolitan Transit Authority
of Harris County, Texas
Operating Statistics Last Ten Fiscal Years
(Unaudited)

Fiscal Year	HOV Ridership Cars, Vans And Non-METRO Buses	Transit Boarding *	Revenue Vehicle Miles *	Passenger Miles Transit *	Passenger-Miles Carpool/METRO STAR Vanpool Non-METRO Buses on Transitways	Number of						Directional Route Miles			Total Actual Rail Passenger Car Revenue Miles
						Emp.	Buses*	Rail Cars	BOF	TC	P&R	Rail	HOV Lanes	Service Area (sq. miles)	
2019	24,538,932	89,951,217	75,338,222	581,575,901	252,996,389	4,106	1,412	76	6	21	27	45.4	185.1	1,303	3,438,523
2018	26,494,184	90,156,382	73,994,676	563,145,935	273,155,037	4,042	1,409	76	6	21	27	45.4	182.3	1,303	3,535,806
2017	25,972,856	89,940,735	72,077,152	602,436,140	267,316,195	3,956	1,393	76	6	21	27	45.4	182.3	1,303	3,330,168
2016	25,829,582	89,970,895	72,975,913	584,215,802	266,302,990	3,916	1,394	54	6	21	26	43.4	139.1	1,303	3,415,024
2015	26,723,748	86,089,171	71,162,933	573,489,760	275,521,842	3,777	1,373	37	6	21	26	43.4	139.1	1,285	2,350,774
2014	25,386,535	85,389,587	69,134,726	605,100,948	261,735,176	3,560	1,432	37	6	20	28	25.4	139.1	1,285	1,577,592
2013	25,371,590	84,266,386	68,324,181	574,724,199	261,581,093	3,500	1,317	22	6	20	29	14.8	140.8	1,285	989,373
2012	24,936,852	81,022,576	68,310,468	534,137,148	257,098,944	3,391	1,393	18	6	20	29	14.8	140.8	1,285	905,795
2011	24,706,519	81,032,075	57,119,898	537,017,914	254,724,211	3,487	1,370	18	6	20	29	14.8	134.7	1,285	901,194
2010	23,761,231	81,158,905	55,670,178	551,914,756	244,978,292	3,453	1,403	18	6	21	29	14.8	128.6	1,285	900,517

Source: Metropolitan Transit Authority Office of Management and Budgets
BOF = Bus Operating Facility
TC = Transit Centers
P&R = Park & Ride Lots
* Includes METROLift

* The source of information for FY12 & FY13 miles data is NTD reports for respective fiscal years.
* Rail Cars – No. of Rail cars in service.
METRO operates 95.1 miles in the 182.3 miles regional HOV/HOT lane system.

(Final Page of the Comprehensive Annual Financial Report)