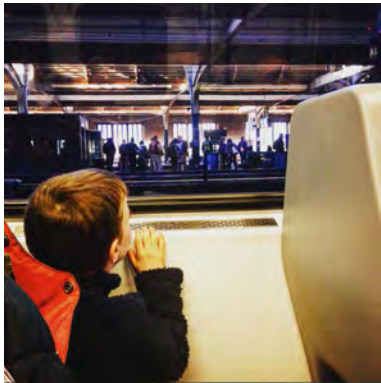




# SEPTA ANNUAL REPORT

## FISCAL YEAR 2015

# SEPTA FISCAL YEAR 2015



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## **BOARD MEMBERS**

### **Chairman**

Pasquale T. Deon, Sr.

*Winner of the APTA 2014 Outstanding Public Transportation Association Board Member Award*

### **Vice-Chairman**

Thomas E. Babcock

### **Bucks County**

Pasquale T. Deon, Sr.

Honorable Charles H. Martin

### **Montgomery County**

Kenneth Lawrence, Jr.

Honorable Leslie S. Richards

### **Governor's Appointee**

Thomas Jay Ellis, Esquire

### **Senate Minority Leader Appointee**

James C. Schwartzman, Esquire

### **Chester County**

Kevin L. Johnson, P.E.

Cuyler H. Walker, Esquire

### **City of Philadelphia**

Beverly Coleman

Rina Cutler

### **Senate Majority Leader Appointee**

Honorable Stewart J. Greenleaf

### **House Minority Leader Appointee**

John I. Kane

### **Delaware County**

Thomas E. Babcock

Daniel J. Kubik

### **House Majority Leader Appointee**

Christopher H. Franklin

## **SEPTA OFFICERS**

### **General Manager**

Joseph M. Casey

### **Deputy General Manager**

Jeffrey D. Knueppel

### **Controller to the Board**

Stephen A. Jobs

### **Chief Financial Officer/Treasurer**

Richard G. Burnfield

### **Secretary to the Board**

Carol R. Looby

### **General Counsel**

Gino J. Benedetti, Esquire





SEPTA GM Joe Casey throws out first pitch at Phillies game



12<sup>TH</sup>

ISEPTAMEDIA kickoff event with DCTMA



17<sup>TH</sup>

SEPTA invites public to share ideas for service improvements

SEPTA Board approves Five-Year Strategic Business Plan



21<sup>ST</sup>

24<sup>TH</sup>

Lt. Governor Jim Cawley and State Senator John C. Rafferty, Jr. joined SEPTA Board Chairman Pat Deon, Sr. and SEPTA Deputy General Manager Jeffrey Knueppel to promote the participation of Disadvantaged Business Enterprises (DBE) small, minority, and female contractors in the Authority's 'Rebuilding for the Future' capital construction program. Registered DBE's were invited to an information session that included a presentation on 'Rebuilding for the Future,' SEPTA's post-Act 89 capital program which will fund more than \$570 million in infrastructure improvements in Fiscal Year 2015 and upwards of \$6.8 billion over the 12-year program. During the networking session, DBE's had an opportunity to connect with large, prime contractors and learn about contracting opportunities with SEPTA. "We will be relying on the expertise and talent of Philadelphia-area businesses to perform the critical work of rebuilding SEPTA for the future," SEPTA Board Chairman Pasquale "Pat" Deon said. "As a result of the board's action in May, small, minority and women-owned businesses will have greater opportunity to participate in the more than \$500 million in state-funded projects SEPTA will be advancing over the next two years." SEPTA's DBE Program is designed to meaningfully involve small, minority owned businesses who are ready, willing and able to participate in all facets of SEPTA's contracting and purchasing activities. The DBE Program Office provides technical assistance, training, and other resources for vendors looking to do business with SEPTA.



29<sup>TH</sup>

Trolley Tunnel closes for Trolley Tunnel Blitz.

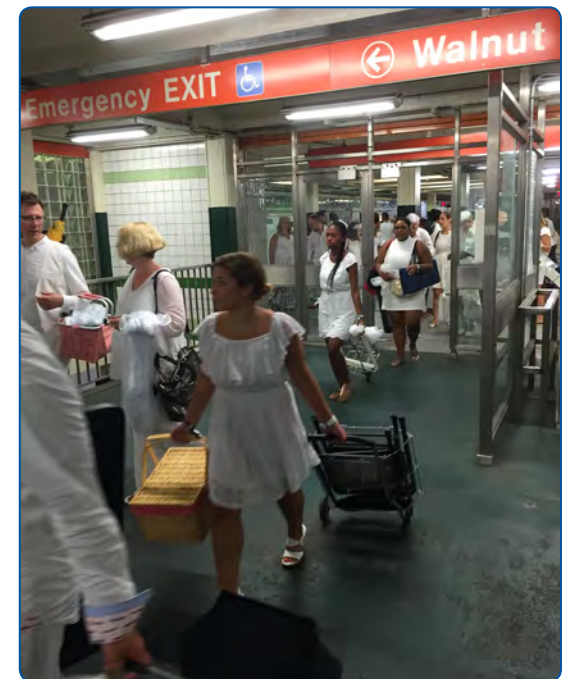


Trolley Tunnel reopens

Public beta release of the SEPTA Android App, joining the SEPTA iPhone App, introduced in the fall of 2013.



SEPTA extends the current 24-hour weekend service pilot on the Broad Street and Market-Frankford Lines through November 2, which gave the authority the opportunity to evaluate the service during the fall ridership season, and provided time to attract new riders after summer vacations. Line ridership increased by 50% or more during these extended service hours on most weekends this summer. SEPTA's strategic deployment of police officers on the two lines had helped ensure security for riders.



Diner En Blanc entertains 3,500 diners on Avenue of the Arts, brought together by SEPTA Regional Rail, Broad Street Line and Market-Frankford Line.

Submissions for 2016 Annual Service Plan due

1<sup>ST</sup>

15<sup>TH</sup>

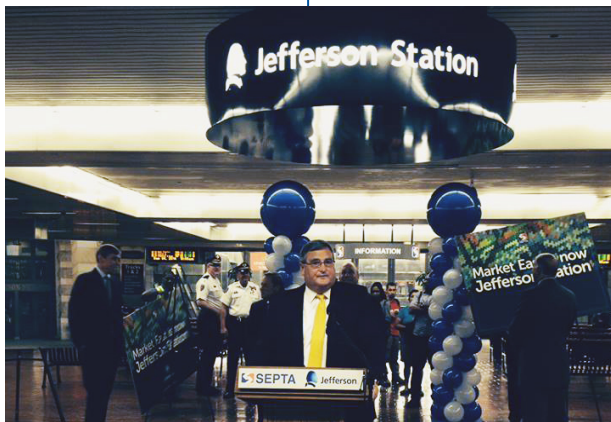
18<sup>TH</sup>

20<sup>TH</sup>

31<sup>ST</sup>



SEPTA renames Market East Station. "Jefferson Station is a major transportation hub for Philadelphia area residents who are patients, employees and students of nearby Jefferson Health System facilities and Thomas Jefferson University," said SEPTA General Manager Joseph M. Casey. "Because so many people use SEPTA to get to their Jefferson destination, renaming the station is a natural fit." The Jefferson Station renaming is consistent with SEPTA's mandate to seek alternative sources to help pay for operating expenses. State lawmakers, in passing legislation for transportation funding in Pennsylvania, had called on SEPTA and other transit agencies to bolster efforts to generate non-fare box revenues. Approximately 26,000 customers riding SEPTA's Regional Rail Lines use the station every weekday. The station is also accessible via SEPTA's Market-Frankford Line at the 8th and 11th Street stations; Broad-Ridge Spur at the 8th Street Station; and Bus Routes 17, 23, 33, 38, 44, 47, 47M, 48, 61 and 62.



SEPTA unveils new entrances, fare lines, elevators & other amenities beneath the newly renovated Dilworth Park.



Miller Lite sponsors free rides on the Broad Street Line for Sunday's Eagles Home Opener. 11,087 people rode; The Philadelphia Eagles beat the Jacksonville Jaguars 34-17

SEPTA gathered with local elected officials to discuss weather resiliency projects that will move forward because of an FTA Emergency Relief Program grant. A total of seven projects targeting these types of flood prone areas, power systems and other key infrastructure that is vulnerable in severe weather were tackled with the grant. The projects are designed to harden these core transit elements to protect them from weather-related impacts, and boost SEPTA's overall resiliency to severe storms.

Suburban Transit begins 'Pay As You Enter' at 69th Street Transportation Center

SEPTA Bus ROADEO

SEPTA supports Clean Air Council's Greenfest

Park(ing) Day

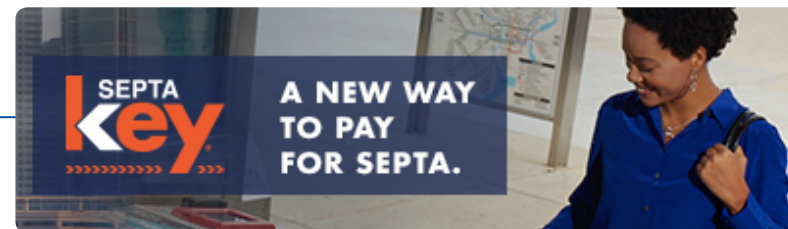
SEPTA launches new Strategic Business Plan website

Regional Rail Posts 4.4% increase in ridership for September

Campus Philly's CollegeFest



It's official: 'SEPTA Key' is future of fare payment. The Authority unveiled "SEPTA Key" as the official moniker for its fare modernization program. The announcement coincides with the launch of an updated section of the Authority's website regarding SEPTA Key at <http://www.septa.org/key/>. SEPTA will begin transitioning to the new fare system in 2016. SEPTA General Manager Joseph M. Casey said SEPTA Key was selected as the program name because of the transformative nature of the initiative. "SEPTA Key will play a fundamental role in moving the region forward," Casey said. "It will be the key to your commute, play and everywhere in between."



SEPTA Rail Rodeo

SEPTA begins operation of new fleet of hybrid/electric articulated buses. The first 12 of SEPTA's brand-new 60-foot diesel/electric hybrid articulated buses began service on one of SEPTA's busiest lines, Route 48 that connects North Philadelphia, Brewerytown, and Fairmount with Center City. Featuring a modern, streamlined look, the Model LFS Artic HEV hybrid bus is packed with features including a one-step, low-floor design for easy boarding and exit. Passenger comfort will be increased by non-glare LED lighting, automated stop announcements, all-season climate control and quieter operation compared to predecessor vehicles. Improvements for disabled customers include front-door ramp entry and an ADA-accessible interior design that can accommodate up to two wheelchairs per vehicle. The introduction of these vehicles also reinforces SEPTA's commitment to cleaner environment and sustainable practices. With the addition of these vehicles, SEPTA will operate a fleet of 747 Hybrid vehicles by December 2015, nearly doubling the size of the hybrid fleet we operated in 2002.

APTA Annual Meeting



Harry Potter Festival in Chestnut Hill

SEPTA extends weekend overnight subway service.



SEPTA's "Stop Hunger at Your Station" Food Drive kicks off



All divisions posted between a 1% and 6% ridership increase for month; monthly and YTD passenger revenue 3.3% and 2.6% above last year

4<sup>TH</sup> 8<sup>TH</sup> 12<sup>TH</sup> 18<sup>TH</sup> 21<sup>ST</sup> 23<sup>RD</sup> 27<sup>TH</sup> 31<sup>ST</sup>



SEPTA Deputy General Manager Jeffrey Knueppel and Center City District President and CEO Paul R. Levy joined advocates from the disability community to celebrate the opening of two new surface-level elevators at Dilworth Park. The two new elevators, installed by the CCD, are located in two distinct locations above and below ground. SEPTA forces will maintain these elevators along with three others serving Dilworth Park and SEPTA transit visitors. Planned future improvements for the City Hall Station complex along with the additional improvements scheduled for the 15th Street Market-Frankford Station, the pedestrian concourse network under Broad and Market Streets, and the purchase of new vehicles are part of the cornerstone of SEPTA's Rebuilding for the Future program, made possible by the Act 89 funding.

SEPTA's "Stop Hunger at Your Station" Food Drive ends and breaks century mark. Customers and staff contribute over 100 tons of food during drive's six-year history.



For the 24th year, holiday revelers enjoyed the annual "Santa Express" train excursions into Center City. More than 1,000 young travelers boarded the trains and received gift bags. All six SEPTA trains arrived simultaneously in Center City at the new transit entrances at Dilworth Park, where riders headed together to the Rothman Ice Rink. This was the first year that "Santa Express" used Dilworth Park as its destination, and St. Nick embraced the opportunity to delight the festive crowds not only on the rails, but also in the rink, where he strapped on skates for a few spins.



SEPTA Partnered with VA on the Veterans Hiring Initiative. Connecting veterans & career opportunities.

Beat the Bus - West Philly Runners vs. Route 21 Bus

Pope Francis announces Philadelphia visit to World Meeting of Families.

Philadelphia Marathon

3<sup>RD</sup>

10<sup>TH</sup>

11<sup>TH</sup>

12<sup>TH</sup>

14<sup>TH</sup>

23<sup>RD</sup>

28<sup>TH</sup>



Several SEPTA trolleys and a Norristown High Speed Line (NHSL) train are decked out in their holiday finest - tinsel, lights, bows and bells - to put commuters in the seasonal spirit. Operators Gary Mason, Fred Garmon, Dave Musgrave and Deina McLaughlin and Denita Birton (who are also sisters) used hundreds of lights, yards of garland and tons of ornaments, all to make the season brighter for their passengers.



Baby Born on SEPTA! The two transit officers were patrolling near the 15th Street Station when around 6 pm when they heard from several customers that a woman on the Market-Frankford Line was going into labor. Sergeant Caban was the first to arrive on scene and quickly realized that the woman was going to have the baby any minute. The officers quickly sprang into action and assisted with the delivery of the baby boy. On December 26, 2014, the officers visited the mother, Yanjin Li and baby Kris at Hahnemann Hospital.



Philadelphia Eagles linebacker Connor Barwin is featured on Rick Reilly's segment on Monday Night Football on ESPN. Barwin is followed as he rides the SEPTA Broad Street Line to the stadiums.



34th Annual SEPTA Yule Toy Drive

Regional Rail ridership up 3% vs 2013, Suburban ridership up 7% vs 2013.

9<sup>TH</sup>

22<sup>ND</sup>

25<sup>TH</sup>

31<sup>ST</sup>

SEPTA announces Suburban Station technology partnership with Verizon. Three new state-of-the-art video schedule boards are among the improvements at Suburban Station under agreement with Verizon that is delivering customer service upgrades and generating new advertising revenue for SEPTA. The screens provide riders with information about train schedules, travel updates and weather reports. The partnership with Verizon is consistent with SEPTA's mandate to seek alternative sources to help pay for operating expenses. In passing recent legislation for transportation funding in Pennsylvania, state lawmakers have called on SEPTA and other transit agencies to bolster advertising and other non-fare revenues. In response, SEPTA has worked closely with Titan, the leading transit advertising agency in the country, on a groundbreaking campaign to bring in additional advertising dollars.



Mummers Parade

1<sup>ST</sup>



Philadelphia Auto Show begins. Discounted tickets are available at SEPTA Sales Offices.



SEPTA holds Open House on 2016 Capital Budget and 12-year program.

SEPTA releases new Winter Storm Service Plan for Regional Rail to better accommodate customers trying to depart Center City during midday hours, improve service coverage and maintain service in the event of a winter storm.



14<sup>TH</sup>

20<sup>TH</sup>

23<sup>RD</sup>

31<sup>ST</sup>



SEPTA Chief Safety Officer, Scott Sauer, appears on the NBC Today Show and explains to NBC correspondent Jeff Rossen what to do if you are in a train accident:

1. Go car to car. If there is a problem in the car you're in, proceed to the next one.
2. Open the door. All trains have emergency signs by the doors. Follow the instructions on the sign to open the door through which you entered the train. (Be careful to look both ways when you exit so you don't get hit by another train on a neighboring track.)
3. Open an emergency exit window. All trains have them. Look for the one closest you and follow the instructions to open it.



Temple Fox DESIGN challenge uses SEPTA-centric theme: How can we change our transit system and car culture to achieve the economic, social, and environmental dividends from a less auto-centric future?

The Democratic National Committees announced that Philadelphia will host the party's presidential nominating convention in July 2016. Philadelphia beat out Brooklyn, NY and Columbus, OH after a yearlong campaign during which the city's marquee political names pulled together as a team to get a win. The process to get the DNC to Philadelphia began in 2012.

Flower Show begins. Discounted tickets are available at SEPTA Sales Offices.

SEPTA's 51st Anniversary

7th coldest February on record with 12" of snow. Ridership still up 1% (157,610 trips).

5<sup>TH</sup>

12<sup>TH</sup>

18<sup>TH</sup>

25<sup>TH</sup>

28<sup>TH</sup>

Riders across the world recognized and thanked their favorite operators on International Transit Driver Appreciation Day. SEPTA is fortunate to have an exceptional group of operators who are hard workers always dedicated to safety and professionalism. "They are the faces of SEPTA, and they are appreciated, valued, and respected," said Michael R. Liberi, Chief Surface Transportation Officer. "It is through their efforts that SEPTA is able to maintain a high level of customer service, and meet and surpass our customers' expectations." In addition to offering greetings to operators on Wednesday, passengers shared thank you messages on social media.



*Renderings of Proposed  
15th Street Station Mezzanine*



SEPTA releases proposed  
FY16 Operating Budget.

SEPTA kicks off Thunderclap to  
promote APTA's Stand Up for  
Transportation Day in partnership  
with the Greater Philadelphia  
Chamber of Commerce.



SEPTA holds open house on Fiscal  
Year 2016 Annual Service Plan.

SEPTA expands Distracted  
Commuting Program with  
Bus Turn Alert Pilot Program.

Members of SEPTA's Design Team displayed brand-new renderings of the 15th Street Station Accessibility Project. Utilizing funding received through ACT 89, SEPTA plans to begin a total renovation of the 15th Street Station in late 2016. "Once completed, the station will be more user-friendly, accessible to all users, safer, easier to maintain, and in compliance with all applicable codes," said SEPTA Deputy General Manager Jeffery D. Knueppel. The capital project, budgeted at \$20 Million Dollars will: Provide full access for riders with disabilities through new elevators and ramps to all levels of the station complex. New and wider ramped corridors connecting the station to the Broad Street Line will also be constructed; Improved passenger flow will be achieved with new and reconfigured fare lines, outfitted with new technology for the SEPTA Key Program in addition to new stairs and railings. Renovations will also provide more open area on the 15th Street Mezzanine and on the station platforms.

3<sup>RD</sup>

13<sup>TH</sup>

16<sup>TH</sup>

18<sup>TH</sup>

20<sup>TH</sup>

25<sup>TH</sup>



Business leaders, labor leaders, community groups and transportation advocates gathered at Dilworth Park to raise awareness for public transportation, roads, bridges and rail systems in critical need of renewal on National Transportation Infrastructure Day - to Stand Up 4 Transportation. Speakers addressed the tremendous economic impact of our highways and transit systems and urged critical federal action and investment in our nation's infrastructure. Attendees also interacted with a number of exhibits about local, state and national transportation impact, and had an opportunity to learn about career opportunities in the transportation industry. While the rally featured speakers from a wide-range of organizations and backgrounds, they united under one common theme: Transportation is the backbone of our economy - and now is the time to invest in renewing its critical infrastructure in the Philadelphia region and across the country. "Transportation is the engine of American prosperity, yet the condition of the nation's roads, bridges and transit systems now jeopardizes the very prosperity and security that our once-vibrant transportation system made possible," said Pasquale T. "Pat" Deon, SEPTA Board Chairman and member of the Pennsylvania Turnpike Commission. "Transportation is the backbone of our local and national economy. A long-term transportation bill is needed for better and expanded transportation options, and to continue to grow our economy."

SEPTA kicked off the West Terminal Improvements Project at 69th Street Transportation Center with a groundbreaking ceremony. "Almost 35,000 people use 69th Street Transportation Center every day," said Joe Casey. "The improvements we are making at the West Terminal will ensure that those customers will have a restored and modernized place where they can catch our buses and trolleys." The work is funded through the Federal Transit Administration Bus and Bus Facility Livability Grant Program and Pennsylvania Act 89.



SEPTA Fiscal Year 2016 Operating Budget Public Hearings to be held throughout region



Forbes names SEPTA one of America's Best Employers of 2015.

Phillies Home Opener

Philly Clean Up

Cycle-Transit Plan released

30th Anniversary of the Airport Line

Safety Day

6<sup>TH</sup>

6<sup>TH</sup>

9<sup>TH</sup>

13<sup>TH</sup>

17<sup>TH</sup>

20<sup>TH</sup>

22<sup>ND</sup>

28<sup>TH</sup>

29<sup>TH</sup>

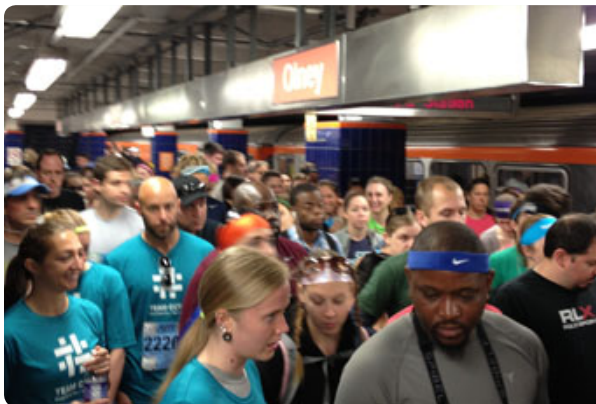




The SEPTA Board approved Operating and Capital Budgets for FY16 during its regular monthly meeting. The Operating Budget for FY16 is \$1.36 billion, an increase of 2.84% over FY15. The budget maintains current SEPTA service levels, with no increase in fares. It includes resources for the permanent implementation of 24-hour weekend service on the Broad Street Line subway and Market-Frankford Line subway/elevated, which was launched as a pilot program last year. The \$534.54 million FY16 Capital Budget proposal advanced SEPTA's "Rebuilding for the Future."



SEPTA partners with Philly Beer Week to reinforce SEPTA as a safe and responsible way to travel.



SEPTA representatives gathered with elected officials, community leaders and other dignitaries to celebrate the completion of Secane Station Parking Improvements. Situated along the Authority's Media/Elwyn Regional Rail Line, Secane Station sees nearly 11,000 riders use the Media/Elwyn Line each day, and demand for parking continues to grow. Secane Station also serves as a connection point for SEPTA's Route 107 Bus. As part of an Authority-wide initiative to address growing Regional Rail Ridership, the Parking Improvement Project included the construction of a new parking lot, increasing the total number of spaces from 40 to 100.

The Broad Street Line records a 12-year ridership high (72,700) during the Broad Street Run.

SEPTA adds Regional Rail service for Komen Race for the Cure.



3<sup>RD</sup>

10<sup>TH</sup>

20<sup>TH</sup>

28<sup>TH</sup>

29<sup>TH</sup>

SEPTA gathered at Wallingford Train Station to celebrate the completion of 150 miles of catenary wire replacement. Most of the work was completed at night or during mid-day service outages to minimize customer inconvenience. A modified open gondola car stores old wire without crews having to cut it into smaller sections. The open gondola and tower cars allow crews to safely and effectively remove, replace and store OCS wire and hardware. Five OCS lines have been completely replaced, three have been partially replaced and two will be completed over the next two years. The benefits of replacing the OCS can be seen in SEPTA's Regional Rail ridership increase. "Over the past 15 years, our catenary-component related failures are down drastically," said Knueppel. "This work was among several key initiatives that allowed railroad ridership to grow 50 percent in this same time period. The investment in our infrastructure was done out of necessity, but has proven to be invaluable."



Mayor Michael A. Nutter, City and agency officials announced preliminary information about public transportation options during the World Meeting of Families convening, September 22-25, and the weekend of the Papal Visit, September 26-27, 2015.



The Philadelphia International Cycling Classic returned to Manayunk. The one-day race started and finished near the top of "The Wall" on Lyceum Avenue above Manayunk Avenue, following Kelly Drive into the Strawberry Mansion and Lemon Hill neighborhoods of the city. Additional Regional Rail service was available on the Manayunk/Norristown Line for customers attending "Bike Race."



Track Renewal Project Scheduled along SEPTA's Route 15 Trolley



SEPTA, Officials cut ribbon for newly-renovated 23rd & Venango Bus Loop



SEPTA launches modernization project on Trolley Routes 101/102.

7<sup>TH</sup>

12<sup>TH</sup>

14<sup>TH</sup>

15<sup>TH</sup>

16<sup>TH</sup>

# FINANCIAL HIGHLIGHTS

## SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY FINANCIAL HIGHLIGHTS FOR THE YEARS ENDED JUNE 30 (MILLIONS OF DOLLARS)

	2015	2014	2013	2012	2011	2010**	2009**	2008	2007	2006
<b>OPERATING REVENUES</b>										
Passenger	\$ 477.7	\$ 473.0	\$ 443.0	\$ 446.8	\$ 439.4	\$ 396.0	\$ 404.8	\$ 392.5	\$ 344.4	\$ 329.9
Shared ride subsidies	18.5	17.2	17.4	18.0	18.7	18.7	19.0	19.8	65.8	67.7
Route guarantees	3.2	3.0	3.3	3.4	3.2	3.0	3.0	3.6	8.1	2.9
Other	33.9	32.7	32.5	30.8	30.7	29.7	31.2	29.9	26.7	25.6
Total operating revenues	<u>533.3</u>	<u>525.9</u>	<u>496.2</u>	<u>499.0</u>	<u>492.0</u>	<u>447.4</u>	<u>458.0</u>	<u>445.8</u>	<u>445.0</u>	<u>426.1</u>
<b>OPERATING EXPENSES</b>										
Operating expenses, excluding depreciation *	1,305.0	1,320.1	1,297.4	1,292.0	1,260.0	1,211.9	1,167.9	1,100.2	943.5	893.5
Depreciation	336.2	329.5	330.9	330.4	320.5	302.3	289.5	275.5	264.6	246.1
Total operating expenses	<u>1,641.2</u>	<u>1,649.6</u>	<u>1,628.3</u>	<u>1,622.4</u>	<u>1,580.5</u>	<u>1,514.2</u>	<u>1,457.4</u>	<u>1,375.7</u>	<u>1,208.1</u>	<u>1,139.6</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Operating grants & assistance *										
Federal	67.1	68.3	72.9	68.9	60.8	39.5	32.2	32.6	99.6	126.4
State	601.6	591.5	587.2	582.0	551.1	580.7	537.2	489.9	367.5	309.2
Local	84.4	83.6	83.1	82.3	78.5	79.2	72.8	64.7	66.4	69.2
Total operating grants & assistance	<u>753.1</u>	<u>743.4</u>	<u>743.2</u>	<u>733.2</u>	<u>690.4</u>	<u>699.4</u>	<u>642.2</u>	<u>587.2</u>	<u>533.5</u>	<u>504.8</u>
Other nonoperating revenues (expenses)										
Investment income	4.0	2.3	1.0	2.3	10.4	(4.3)	(14.7)	9.4	6.8	3.2
Interest expense	(18.3)	(18.8)	(19.4)	(18.8)	(16.0)	(24.9)	(21.0)	(20.5)	(19.8)	(21.0)
Other	-	-	(2.8)	-	-	(0.3)	(0.4)	(0.1)	-	(0.1)
Total other nonoperating revenues (expenses)	<u>(14.3)</u>	<u>(16.5)</u>	<u>(21.2)</u>	<u>(16.5)</u>	<u>(5.6)</u>	<u>(29.5)</u>	<u>(36.1)</u>	<u>(11.2)</u>	<u>(13.0)</u>	<u>(17.9)</u>
Total nonoperating revenues (expenses)	<u>738.8</u>	<u>726.9</u>	<u>722.0</u>	<u>716.7</u>	<u>684.8</u>	<u>669.9</u>	<u>606.1</u>	<u>576.0</u>	<u>520.5</u>	<u>486.9</u>
<b>CAPITAL GRANTS</b>										
	<u>406.8</u>	<u>249.8</u>	<u>214.7</u>	<u>244.3</u>	<u>360.4</u>	<u>438.4</u>	<u>457.1</u>	<u>441.1</u>	<u>349.2</u>	<u>343.8</u>
Increase (decrease) in net position	<u>\$ 37.7</u>	<u>\$ (147.0)</u>	<u>\$ (195.4)</u>	<u>\$ (162.4)</u>	<u>\$ (43.3)</u>	<u>\$ 41.5</u>	<u>\$ 63.8</u>	<u>\$ 87.2</u>	<u>\$ 106.6</u>	<u>\$ 117.2</u>
<b>OTHER</b>										
Working capital surplus (deficiency)	<u>\$ (9.4)</u>	<u>\$ (70.8)</u>	<u>\$ (64.7)</u>	<u>\$ (41.9)</u>	<u>\$ (69.2)</u>	<u>\$ (30.9)</u>	<u>\$ (28.6)</u>	<u>\$ (50.0)</u>	<u>\$ (34.5)</u>	<u>\$ (18.9)</u>

**Reclassifications:** Certain amounts prior to Fiscal Year 2013 were reclassified to conform to the Fiscal 2013 presentation.

\* Operating expenses subsequent to Fiscal Year 2007 include other postemployment benefit expenses related to the adoption in Fiscal Year 2008 of Governmental Accounting Standards Board (GASB) Statement No. 45. Beginning in Fiscal Year 2008, the source of subsidies also changed with the passage of Act 44 legislation. The former state system for funding transit including asset maintenance subsidies received under Act 3 and Act 26 was repealed and certain senior citizen subsidies received directly from the state lottery fund were eliminated and replaced with the new PTF fund. For further discussion see Note 1 of the financial statements. Operating expenses for Fiscal Years 2013 and 2012 were restated to reflect the adoption in 2014 of GASB 65 pertaining to reporting debt issuance costs as an expense in the period incurred. Fiscal Year 2015 includes adoption of GASB 68 and 71 which measure and recognize pension liabilities, deferred outflows and inflows of resources and expenses.

\*\* Fiscal Year 2010 reflects the adoption of GASB Statement Nos. 51 and 53 related to the accounting for intangible assets and derivative instruments, respectively. Certain Fiscal Year 2009 amounts were restated accordingly.



# FINANCIAL HIGHLIGHTS

## SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY FINANCIAL HIGHLIGHTS FOR THE YEARS ENDED JUNE 30 (MILLIONS OF DOLLARS)

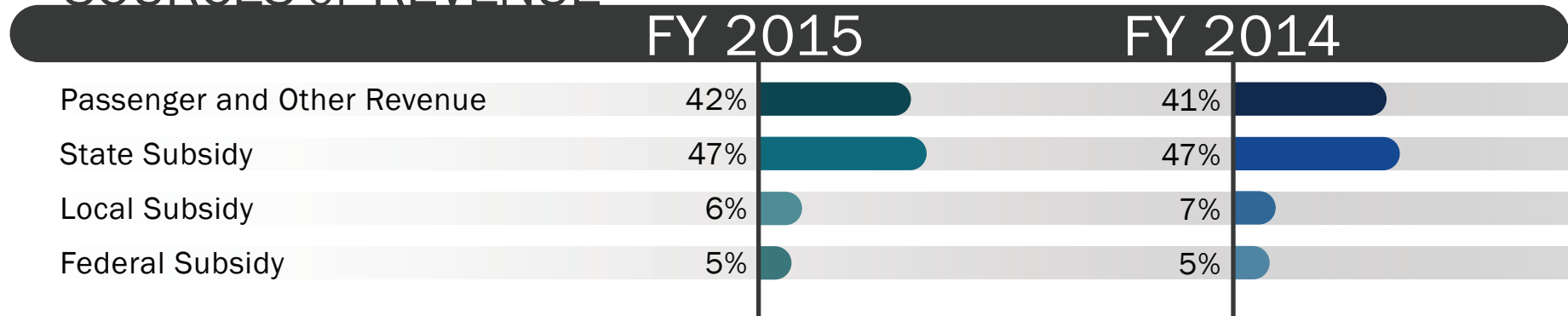
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b><u>Passenger Trips (linked, in millions)</u></b>										
Transit	206.2	206.3	212.2	214.0	211.6	200.0	206.1	200.9	190.3	183.9
Regional Rail	37.4	36.7	36.0	35.3	35.4	34.9	35.4	35.4	31.7	30.4
Total	<u>243.6</u>	<u>243.0</u>	<u>248.2</u>	<u>249.3</u>	<u>247.0</u>	<u>234.9</u>	<u>241.5</u>	<u>236.3</u>	<u>222.0</u>	<u>214.3</u>
<b><u>Average Weekday Passenger Trips (unlinked, in thousands)</u></b>										
Transit	974	975	1,011	1,007	991	966	979	963	930	920
Regional Rail	130	127	126	122	123	122	124	124	111	107
Total	<u>1,104</u>	<u>1,102</u>	<u>1,137</u>	<u>1,129</u>	<u>1,114</u>	<u>1,088</u>	<u>1,103</u>	<u>1,087</u>	<u>1,041</u>	<u>1,027</u>
<b><u>Financial Statistics (per passenger trip)</u></b>										
Operating revenues	\$ 2.19	\$ 2.17	\$ 2.00	\$ 2.00	\$ 1.98	\$ 1.90	\$ 1.90	\$ 1.89	\$ 2.01	\$ 1.99
Operating expenses *	6.74	6.79	6.56	6.51	6.40	6.45	6.04	5.82	5.44	5.32
Operating grants & assistance	3.09	3.06	2.99	2.95	2.80	2.98	2.66	2.48	2.40	2.36
Other nonoperating revenues (expenses), net	(0.06)	(0.07)	(0.09)	(0.07)	(0.02)	(0.12)	(0.15)	(0.05)	(0.06)	(0.08)
Capital grants	1.67	1.03	0.87	0.98	1.46	1.87	1.89	1.87	1.57	1.60
Increase (decrease) in net position	<u>\$ 0.15</u>	<u>\$ (0.60)</u>	<u>\$ (0.79)</u>	<u>\$ (0.65)</u>	<u>\$ (0.18)</u>	<u>\$ 0.18</u>	<u>\$ 0.26</u>	<u>\$ 0.37</u>	<u>\$ 0.48</u>	<u>\$ 0.55</u>

**Reclassifications:** Certain financial statistic amounts prior to Fiscal Year 2013 were reclassified to conform to the Fiscal 2013 presentation.

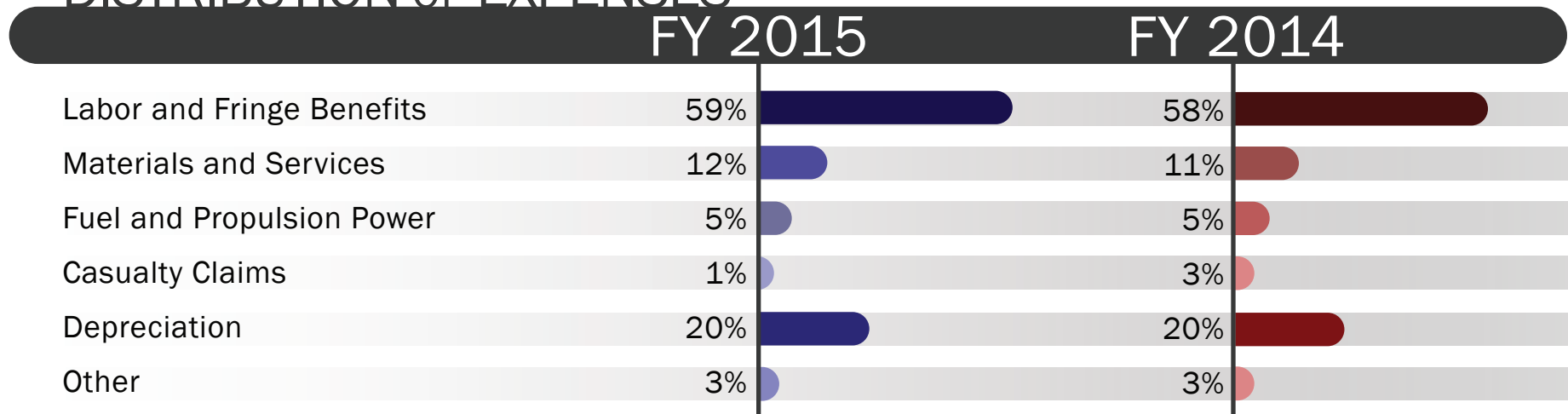
\* Operating expenses subsequent to Fiscal Year 2007 include other postemployment benefit expenses related to the adoption in Fiscal Year 2008 of Governmental Accounting Standards Board (GASB) Statement No. 45. Operating expenses for Fiscal Years 2013 and 2012 were restated to reflect the adoption in 2014, of GASB 65 pertaining to reporting debt issuance costs as an expense in the period incurred. Fiscal Year 2015 includes adoption of GASB 68 and 71 which measure and recognize pension liabilities, deferred outflows and inflows of resources and expenses.

# SOURCES OF REVENUE & DISTRIBUTION

## SOURCES OF REVENUE



## DISTRIBUTION OF EXPENSES





# FINANCIAL STATEMENTS

## SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

# FINANCIAL STATEMENTS

## SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY YEARS ENDED JUNE 30, 2015 AND 2014

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# *Zelenkofske Axelrod LLC*

## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Southeastern Pennsylvania Transportation Authority  
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (the "AUTHORITY"), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the AUTHORITY's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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. Those standards require that we plan and perform the audits 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 auditors consider 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 financial position of the AUTHORITY, as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of Governmental Accounting Standards Board Pronouncements**

As described in Note 1 to the financial statements, in 2015 the AUTHORITY adopted the provisions of Governmental Accounting Standards Board Statement No. 68, "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to these matters.

---

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# *Zelenkofske Axelrod LLC*

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, and Schedule of Employer Pension Contributions – Last 10 Years on pages 3 through 9, page 51, and pages 52 through 53, respectively, 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 the Authority's basic financial statements. The Statements of Plan Net Position and the Statements of Changes in Plan Net Position on pages 55 through 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Zelenkofske Axelrod LLC*

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania  
December 4, 2015

**SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2015 and 2014**

This section of the Southeastern Pennsylvania Transportation Authority's ("Authority") annual financial statements presents a discussion and analysis of the Authority's performance during the fiscal years that ended June 30, 2015 and 2014. In Fiscal Year 2015, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." GASB Statement No. 68 established financial reporting standards for measuring and recognizing pension liabilities, deferred outflows and inflows of resources, and expenses. GASB Statement No. 71 addressed an issue regarding the application of the transition provisions related to pension contributions made to defined benefit pension plans after the measurement date of the beginning net pension liability. The beginning net position for Fiscal Year 2015 was restated to recognize the Authority's net pension liability and deferred outflows of resources for contributions made subsequent to the measurement date of July 1, 2014 under these new standards. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements which immediately follows this section.

**2015 FINANCIAL HIGHLIGHTS**

Passenger revenues increased 1.0% from \$473.0 million to \$477.7 million primarily due to a 2.1% increase in regional rail ridership. Other operating revenue increased 5.0% from \$52.9 million to \$55.5 million due to higher advertising and State shared ride program revenue.

Operating expenses decreased .5% from \$1,649.6 million to \$1,641.2 million primarily due to a decrease in casualty and liability expenses which were partially offset by higher wage and depreciation costs.

Total government subsidies needed to support operations increased 1.3% from \$743.4 million to \$753.1 million.

Total assets increased 3.2% from \$4,197.8 million to \$4,331.1 million primarily due to an increase in capital assets. The implementation of GASB Statement Nos. 68 and 71 for pensions accounted for significant increases in deferred outflows of \$90.7 million, net pension liabilities of \$746.5 million and deferred inflows of \$73.7 million as well as the decrease in net position, which includes a beginning of year restatement, of \$670.2 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements consist of: management's discussion and analysis (this section), basic financial statements and notes to the financial statements.

The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows provide information about the Authority's financial position and recent activities. The financial statements also include notes that explain some of the information in the financial statements, provide more detailed data, and provide more information about the Authority's overall financial status. The Authority's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. Under this basis, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred.



## FINANCIAL ANALYSIS OF THE AUTHORITY

**Net position.** Total net position of the Authority as of June 30, 2015 increased \$37.7 million compared to June 30, 2014 and subsequent to the beginning of year net position restatement of \$670.2 million for the increase in the net pension liability and contributions made subsequent to the measurement date with the implementation of GASB Statement Nos. 68 and 71. The total net position as of June 30, 2014 decreased \$147.0 million compared to June 30 of the prior fiscal year. At June 30, 2015, total assets increased \$133.3 million or 3.2% to \$4,331.1 million and total liabilities increased \$779.6 million or 41.2% to \$2,671.1 million. At June 30, 2014, total assets had decreased 1.0% and total liabilities had increased 5.7%.

Net Position (thousands of dollars)			
	2015	As of June 30, 2014	2013
Current assets	\$ 489,970	\$ 449,093	\$ 439,493
Restricted funds	71,376	114,144	116,291
Capital assets	3,764,261	3,629,450	3,678,985
Other assets	5,472	5,147	5,484
Total assets	4,331,079	4,197,834	4,240,253
Deferred outflows of resources	104,676	17,138	20,494
Total assets and deferred outflows	4,435,755	4,214,972	4,260,747
Current liabilities	499,345	519,866	504,206
Public liability, property damage and workers' compensation claims	128,766	151,677	138,871
Long-term debt	488,677	491,321	500,147
Long-term capitalized lease obligation	16,407	15,699	15,574
Net pension liability	746,508	-	-
Other postemployment benefits	779,605	696,427	610,834
Other liabilities	11,789	16,520	20,637
Total liabilities	2,671,097	1,891,510	1,790,269
Deferred inflows of resources from pensions	73,696	-	-
Net position:			
Net investment in capital assets	3,299,509	3,175,011	3,233,546
Restricted	4,721	4,383	4,373
Unrestricted (deficit)	(1,613,268)	(855,932)	(767,441)
Total net position	1,690,962	2,323,462	2,470,478
Total liabilities, deferred inflows and net position	\$ 4,435,755	\$ 4,214,972	\$ 4,260,747

The \$40.9 million increase in current assets includes increases in restricted funds of \$39.7 million, net receivables of \$35.8 million, material & supplies of \$9.4 million, and prepaid expenses of \$.8 million, offset by decreases in unrestricted funds of \$44.8 million. The restricted funds increase is due to a higher Act 44 state and locally matched service stabilization funds balance that resulted from the favorable casualty and liability expense decrease. The additional funds will be used to support operations in Fiscal Year 2016. The net receivable increase of \$35.8 million is due to delays in the receipt of federal, state, and local capital grants resulting in an increase in those receivables of \$45.2 million offset by a decrease in other receivables of \$9.4 million primarily due to a reduction in the Philadelphia School District outstanding receivable balance for student passes from Fiscal Year 2012. Material and supplies increased \$9.4 million due to the additional materials needed to maintain the new bus and rail fleets and to support various infrastructure operating maintenance and capital improvement programs. The unrestricted funds decrease of \$44.8 million was impacted by the delay in the receipt of capital grants and the increase in material and supplies. Prepaid expenses were \$.8 million higher than the prior year due to required third party administrator deposits as a result of the Authority switching from a premium based group dental plan to a self-insured plan for most of its employees to achieve cost savings.

The \$9.6 million increase in current assets as of June 30, 2014 from the previous year was primarily due to an increase in operating subsidy receivables related to a scheduled June 2014 subsidy payment from the state not getting disbursed until early July 2014.

## **FINANCIAL ANALYSIS OF THE AUTHORITY** (Continued)

The \$42.8 million decline in noncurrent restricted funds as of June 30, 2015 is primarily due to a \$32.3 million decrease in available renewal and replacement funds and the use of \$18.7 million of proceeds from the issuance of the 2011 Capital Grants Receipts Bonds to acquire the new Silverliner V Railcars and rehabilitate the Wayne Junction Intermodal facility.

In addition to restricted funds, the Authority maintains various unrestricted designated funds, a majority of which were adopted by resolution of the Authority's Board to cover a portion of the public liability, property damage and workers' compensation claims for which the Authority is self-insured. These Board designated amounts totaled \$50.0 million as of June 30, 2015, \$48.9 million as of June 30, 2014 and \$48.1 million as of June 30, 2013. The Authority also maintains an unrestricted designated fund, derived from swaption proceeds received in March 2003, which is being amortized over the remaining life of the related outstanding bonds issued. The remaining swaption fund balance was \$2.5 million as of June 30, 2015 and was \$3.2 million as of June 30, 2014.

For Fiscal Year ending June 30, 2015, total capital assets increased \$471.0 million, less \$82.1 million of retirements, and accumulated depreciation increased \$336.2 million, less \$82.1 million of retirements, resulting in a net capital asset increase of \$134.8 million. At June 30, 2014, net capital assets had decreased \$49.5 million over the prior year. Major expenditures during both Fiscal Years 2015 and 2014 were incurred for various transit and regional rail infrastructure improvements such as the regional rail signal system modernization project, new buses, and the vehicle overhaul program.

The increase in other assets of \$.3 million in Fiscal Year 2015 is due to the Authority's basis swap having a positive fair value of \$.6 million as of June 30, 2015. Offsetting this increase are amortized costs in connection with the Authority's outstanding debt of \$.3 million, which also accounted for the decrease in other assets in Fiscal Year 2014.

Total liabilities at June 30, 2015 increased \$779.6 million primarily due to the net pension liability increase of \$746.5 million with the adoption of GASB Statement No. 68, as well as the increased recognition in other postemployment benefit obligations of \$83.2 million, accounts payable of \$40.5 million and unearned revenues of \$25.2 million. The accounts payable increase is primarily related to higher capital accruals and an increase in capital asset invoices processed near the end of June 30, 2015. The unearned revenue increase is due to a higher Act 44 state and locally matched service stabilization restricted fund balance which will be used to support operations in Fiscal year 2016. Offsetting the June 30, 2015 liability increases were reductions in accrued expenses of \$85.6 million, public liability, property damage and workers' compensation claims liability of \$24.7 million, other liabilities of \$4.7 million and long-term debt of \$1.5 million. The accrued expense decrease of \$85.6 million was due to a current liability for pension contributions of \$90.0 million included in the balance for Fiscal Year 2014. In Fiscal Year 2015, the Authority adopted GASB 68 and the net pension liability is reflected in the non-current liabilities section within the statements of net position. The 10.4% decrease in the claims liability is due to a decrease in the number of outstanding claims and the costs expected to settle those claims. The other liability decrease reflects the use of restricted vehicle lease proceeds and other capital projects funds to acquire or improve capital assets. The long-term debt decrease of \$1.5 million reflects debt service payments of \$30.0 million, a favorable decrease in the fair value of the Authority's swaps of \$3.8 million, and amortized bond premium costs of \$3.4 million. Offsetting the June 30, 2015 debt decrease were additional loan borrowings during the year of \$35.7 million to fund the New Payment Technology project.

At June 30, 2014, total liabilities had increased 5.7% from \$1,790.3 million to \$1,891.5 million primarily due to the increased recognition in the obligation for other postemployment benefits of \$85.6 million and an increase in accounts payable of \$16.9 million.

Net investment in capital assets consists of capital assets net of accumulated depreciation, reduced by the amount of long-term debt and liabilities attributable to the acquisition of those assets. Restricted net position represents deposits that are not available for general use because of third-party restrictions. Unrestricted net position represents net assets that are available for general use. The unrestricted net position deficit increased \$757.3 million and \$88.5 million in Fiscal Years 2015 and 2014, respectively, to a total deficit amount of \$1,613.3 million at June 30, 2015. The Fiscal Year 2015 unrestricted net position deficit increase reflects the beginning of year net position restatement of \$670.2 million for pensions with the implementation of GASB Statement Nos. 68 and 71 as well as the recognition of the accrued other postemployment benefit obligation increase of \$83.2 million and \$85.6 million in Fiscal Years 2015 and 2014, respectively. The deficit in unrestricted net position is not expected to have an adverse impact on continuing operations primarily due to the amount of noncurrent liabilities for other postemployment benefits, the net pension liability and public liability, property damage, and workers' compensation claims. These liabilities previously served, directly or indirectly, to increase the deficit; however, the liability amounts are not expected to be significantly liquidated in the upcoming year, which therefore would not require the use of monetary assets.

In Fiscal Year 2008, the Authority began receiving State funding pursuant to Act 44 which was enacted by the State legislature in July 2007 and signed into law by the Governor on July 18, 2007. This legislation established a Public Transportation Trust Fund ("PTTF") in the State Treasury and completely restructured the way public transportation was funded in Pennsylvania. The former system of funding transit agencies from the State General Fund, Lottery Fund, Act 26 of 1991, and Act 3 of 1997 was repealed and replaced with the PTTF dedicated fund. The PTTF provides State funding, in conjunction with required local matching funds, for five programs, namely: operating, asset improvement, capital improvements, programs of statewide significance, and new initiatives. In March 2010, the Pennsylvania Turnpike Commission was unable to obtain approval of the Federal Highway Administration to begin tolling Interstate 80. As a result, PTTF funding for transportation in the Commonwealth was significantly impacted. With the reduction in PTTF funding, SEPTA's annual capital budget was cut by 25 percent, or \$110 million, beginning in Fiscal Year 2011 which continued into Fiscal Year 2014 with a total capital budget of \$308.0 million. In Fiscal Years 2015 and 2016, the capital budget increased to \$571.8 million and \$534.5 million, respectively. The increase was due to the Pennsylvania General Assembly passage of transportation funding legislation, Act 89 of 2013, which was signed into law by the Governor in November 2013. Act 89 of 2013 provides a dedicated, long-term capital funding source for transportation in Pennsylvania that includes funding for public transportation as well as roads, bridges and multimodal transportation.

**FINANCIAL ANALYSIS OF THE AUTHORITY** (Continued)

**Changes in Net Position.** Net position for the Fiscal Year ended June 30, 2015 increased \$37.7 million to \$1,691.0 million subsequent to the beginning of year net position restatement for pensions with the implementation of GASB Statement Nos. 68 and 71. The increase in net position as compared to Fiscal Years 2014 and 2013 is described below. For Fiscal Year 2015, total operating revenues increased 1.4% and total operating expenses decreased .5%. In Fiscal Year 2014, total operating revenues increased 6.0% and total operating expenses had increased 1.3%.

	Changes in Net Position (thousands of dollars)		
	For the Years ended June 30,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues			
Passenger	\$ 477,737	\$ 473,012	\$ 443,017
Other income	55,506	52,870	53,228
Total operating revenues	<u>533,243</u>	<u>525,882</u>	<u>496,245</u>
Operating expenses			
Operating expenses excluding depreciation	1,304,990	1,320,057	1,297,371
Depreciation	336,185	329,546	330,934
Total operating expenses	<u>1,641,175</u>	<u>1,649,603</u>	<u>1,628,305</u>
Loss from operations	<u>(1,107,932)</u>	<u>(1,123,721)</u>	<u>(1,132,060)</u>
Nonoperating revenues (expenses)			
Subsidies	753,102	743,361	743,172
Nonoperating expenses - net	(14,322)	(16,448)	(21,187)
Total nonoperating revenues (expenses)	<u>738,780</u>	<u>726,913</u>	<u>721,985</u>
Capital grant funding	<u>406,821</u>	<u>249,792</u>	<u>214,665</u>
Increase (decrease) in net position	37,669	(147,016)	(195,410)
Net position, beginning of year, before restatement	2,323,462	2,470,478	2,665,888
Cumulative effect of change in accounting principle (Note 13)	(670,169)	-	-
Net position, beginning, as restated	<u>1,653,293</u>	<u>2,470,478</u>	<u>2,665,888</u>
Net position, ending	<u>\$ 1,690,962</u>	<u>\$ 2,323,462</u>	<u>\$ 2,470,478</u>

**FINANCIAL ANALYSIS OF THE AUTHORITY** (Continued)

In Fiscal Year 2015, passenger revenue increased 1.0% primarily due to a 2.1% increase in regional rail ridership. In Fiscal Year 2014, passenger revenue increased 6.8% due to a fare increase effective July 1, 2013. Other income increased 5% in Fiscal Year 2015 due to higher advertising and shared ride program revenues.

Subsidies increased 1.3% in Fiscal Year 2015 to cover part of the operating expense increase prior to recognizing a reduction to operating expenses of \$30.2 million for pensions associated with the implementation of GASB Statement Nos. 68 and 71. In Fiscal Year 2014, subsidies increased \$.2 million to meet the budgeted expense increase. The Fiscal Year 2014 subsidy increase was lower than the current year due to a prospective change commencing in Fiscal Year 2014 to recognize the principal payments on the 2011 series bonds, which amounted to \$8.1 million, as capital grant funding to comply with certain State reporting requirements.

Other nonoperating expenses, which decreased by \$2.1 million in Fiscal Year 2015, include an interest expense decrease of \$.4 million and an investment income increase of \$1.7 million. The interest expense decrease is primarily related to the reduction in total outstanding long-term debt of \$1.5 million. The investment income increase in Fiscal Year 2015 was due to a favorable change in the market value of investments as compared to FY 2014. In Fiscal Year 2014, other nonoperating expenses decreased \$4.7 million primarily due to the early retirement of capital assets of \$2.8 million in Fiscal Year 2013, lower interest on debt of \$.6 million and an investment income increase of \$1.3 million related to a favorable market value change of investments.

Capital grant funding increased \$157.0 million in Fiscal Year 2015 and was comprised of increases in federal and state funding of \$77.4 million and \$80.7 million, respectively. These increases were partially offset by a decrease in local funding of \$1.1 million. Capital grant funding increased \$35.1 million in Fiscal Year 2014 primarily due to an increase in capital project work performed. The capital grant funding increase reflects an increase in capital project work performed, due in part, to an increase in capital funding made available with the passage of Act 89 of 2013 by the Pennsylvania General Assembly.

Operating Expenses  
(thousands of dollars)

For the Years ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Salaries and wages	\$ 508,830	\$ 485,277	\$ 466,119
Fringe benefits	394,308	393,098	393,870
Other postemployment benefits	83,178	85,593	98,633
Services	64,734	60,392	53,912
Fuel & lubricants	44,858	46,729	46,260
Tires & tubes	2,668	2,318	2,809
Other material & supplies	59,900	55,943	55,120
Utilities	47,611	52,691	49,058
Casualty & liability	11,742	53,029	44,511
Taxes	1,798	2,066	1,887
Purchased transportation	48,410	47,353	42,765
Leases and rentals	32,118	31,511	30,315
Miscellaneous	4,835	4,057	12,112
Depreciation	336,185	329,546	330,934
Total operating expenses	<u>\$ 1,641,175</u>	<u>\$ 1,649,603</u>	<u>\$ 1,628,305</u>

## **FINANCIAL ANALYSIS OF THE AUTHORITY** (Continued)

Salaries and wages increased \$23.6 million, or 4.9%, in Fiscal Year 2015 and 4.1% in Fiscal Year 2014 primarily due to contractual and budgeted increases. Fringe benefit expenses increased \$1.2 million, or .3%, in Fiscal Year 2015 primarily due to higher railroad employee claim payouts under the Federal Employers Liability Act ("FELA") and an increase in prescription drug and other healthcare costs. The fringe benefit expense increases were offset by a reduction in current year pension expenses with the implementation of GASB 68 and 71. In Fiscal Year 2014, fringe benefits decreased \$.8 million, or .2%, due to lower FELA payouts and higher capitalization of fringe costs for Authority labor used to perform capital work.

Other postemployment benefit expenses decreased \$2.4 million, or 2.8%, in Fiscal Year 2015 primarily due to higher contributions in the current year and a decrease in the duration of medical benefits provided to its management employees electing the HMO option at retirement on or after January 1, 2016. In Fiscal Year 2014, expenses decreased \$13 million, or 13.2%, due to the Authority converting from a provider premium based healthcare plan to a self-insured plan in August 2012.

Services increased 7.2% and 12% in Fiscal Years 2015 and 2014, respectively. The expense increase in Fiscal Year 2015 was primarily due to higher legal and other costs incurred to defend claims as well as higher contract service costs and commissions related to new real estate income generating leases. The Fiscal Year 2014 increase was due to higher snow removal and pollution remediation costs.

Fuel and lubricants decreased 4.0% in Fiscal Year 2015 and increased 1.0% in Fiscal Year 2014, primarily due to the fluctuation in fuel prices in both fiscal years.

Tires and tubes expenses increased 15.1% in Fiscal Year 2015 and decreased 17.5% in Fiscal Year 2014 due to a contract change and buy-out of the tires in Fiscal Year 2013.

Other material and supplies increased 7.1% and 1.5% in Fiscal Years 2015 and 2014, respectively, due to higher building and other infrastructure maintenance material costs.

Utilities and taxes decreased 9.6% and 13.0% in Fiscal Year 2015 and increased 7.4% and 9.5% in Fiscal Year 2014 primarily due to higher electricity costs that were driven by a spike in natural gas rates during the winter months of 2014.

Casualty and liability expenses decreased \$41.3 million in Fiscal Year 2015 due to lower claim payouts and a reduction to the claims liability reserve due to a decrease in the number of outstanding claims and the costs expected to settle those claims. In Fiscal Year 2014, casualty and liability expenses increased 19.1%, primarily due to a claims liability reserve increase.

Purchased transportation expenses increased 2.2% and 10.7% in Fiscal Years 2015 and 2014, respectively, due to higher carrier costs to provide demand response services.

Lease and rental expenses increased 1.9% and 4.0% in Fiscal Years 2015 and 2014, respectively, primarily due to an increase in regional rail track lease costs. The Fiscal Year 2015 expense increase was also impacted by new mobile wireless units and related software leases to support demand response services provided.

Miscellaneous expenses were \$.8 million higher in Fiscal Year 2015 due to an increase in advertising costs and bad debt reserves for outstanding receivables. In Fiscal Year 2014, miscellaneous expenses decreased \$8.1 million due to the termination of light rail vehicle leases in Fiscal Year 2013.

Depreciation expenses increased 2.0% in Fiscal Year 2015 and decreased .4% in Fiscal Year 2014 primarily due to the change in capital assets in both fiscal years which was being impacted by the change in available capital grant funds.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the Authority's investment in capital assets, which included revenue vehicles, transit facilities, track, roadway and signals, was \$8,799.2 million. Net of accumulated depreciation of \$5,034.9 million, net capital assets totaled \$3,764.3 million. This amount represents a net increase, including additions and disposals net of depreciation, of \$134.8 million or 3.7% from June 30, 2014.

As of June 30, 2015, the Authority has commitments for various unexpended construction and design contracts of approximately \$436 million and commitments for unexpended revenue vehicle purchases of approximately \$113 million primarily for electric-diesel buses, regional rail cars and paratransit vehicles. The Authority's capital budget for Fiscal Year 2015 includes capital asset additions in the amount of \$448.7 million. A significant portion of the additions is scheduled for the normal replacement and overhaul of vehicles, and various critical infrastructure improvement capital programs which includes bridges, passenger stations, and the new payment technology project.

**Debt Administration.** As of June 30, 2015, the Authority's long-term debt, including current maturities, was \$484.7 million. This amount excludes the swap derivative liability of \$11.2 million and \$24.0 million in unamortized premiums (or \$519.9 million in total). Long-term debt increased \$35.7 million from borrowings on a loan to fund costs incurred on the New Payment Technology project. Offsetting the long-term debt increase were regularly scheduled debt service payments of \$30.0 million.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, customers, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Chief Financial Officer/Treasurer, Southeastern Pennsylvania Transportation Authority, 1234 Market Street, Philadelphia, PA 19107-3780.



**SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2015 AND 2014**  
**(THOUSANDS OF DOLLARS)**

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>CURRENT ASSETS</u></b>			<b><u>CURRENT LIABILITIES</u></b>		
Unrestricted funds (Note 2)			Current maturities of		
Cash and cash equivalents	\$ 24,382	\$ 56,567	Long-term debt (Note 5)	\$ 31,180	\$ 30,005
Investments	42,873	55,538			
Restricted funds (Note 2)			Accounts payable - trade	126,920	86,395
Cash and cash equivalents	93,647	42,184			
Investments	18,893	30,632	Accrued expenses	81,620	167,246
Receivables					
Operating subsidies	34,186	35,657	Current portion of public liability,		
Capital grants (Note 3)	155,537	108,917	property damage and workers'		
Other	28,943	38,302	compensation claims (Note 11)	83,987	85,738
Material and supplies	76,212	66,829			
Prepaid expenses	15,297	14,467	Unearned revenue	175,638	150,482
Total current assets	<u>489,970</u>	<u>449,093</u>	Total current liabilities	<u>499,345</u>	<u>519,866</u>
<b><u>NONCURRENT ASSETS</u></b>			<b><u>NONCURRENT LIABILITIES</u></b>		
Restricted funds (Note 2)			Public liability, property damage and		
Cash and cash equivalents	31,871	61,841	workers' compensation claims (Note 11)	128,766	151,677
Investments	39,505	52,303	Long-term debt (Note 5)	488,677	491,321
			Long-term capitalized lease obligation (Note 6)	16,407	15,699
Capital assets, net (Notes 3, 4, 5 & 6)	3,764,261	3,629,450	Net pension liability (Note 7)	746,508	-
			Other postemployment benefits (Note 8)	779,605	696,427
Other	5,472	5,147	Other liabilities (Note 6)	11,789	16,520
Total noncurrent assets	<u>3,841,109</u>	<u>3,748,741</u>	Total noncurrent liabilities	<u>2,171,752</u>	<u>1,371,644</u>
Total assets	<u>4,331,079</u>	<u>4,197,834</u>	Total liabilities	<u>2,671,097</u>	<u>1,891,510</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Accumulated decrease in fair value of hedging derivative	11,184	13,757	Deferred inflows of resources from pensions (Note 7)	73,696	-
(Note 5)			Total liabilities and deferred inflows of resources	<u>2,744,793</u>	<u>1,891,510</u>
Deferred charge on refundings	2,797	3,381	<b><u>NET POSITION</u></b>		
			Net investment in capital assets	3,299,509	3,175,011
Deferred pension contributions, net of liability losses	90,695	-	Restricted	4,721	4,383
(Note 7)			Unrestricted (deficit)	(1,613,268)	(855,932)
			Total net position	<u>1,690,962</u>	<u>2,323,462</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$ 4,435,755</u></b>	<b><u>\$ 4,214,972</u></b>	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<b><u>\$ 4,435,755</u></b>	<b><u>\$ 4,214,972</u></b>

See accompanying notes to Financial Statements.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
(THOUSANDS OF DOLLARS)

	<u>2015</u>	<u>2014</u>
<b><u>OPERATING REVENUE:</u></b>		
Passenger Fare	\$ 477,737	\$ 473,012
Route Guarantees	3,193	2,947
State Shared Ride Program	16,842	15,553
Area Agency on Aging	1,607	1,572
Other contract revenue	306	94
Advertising	14,391	13,001
Miscellaneous income	19,167	19,703
Total revenue available from operations	<u>533,243</u>	<u>525,882</u>
<b><u>OPERATING EXPENSES:</u></b>		
Salaries and wages	508,830	485,277
Fringe benefits	394,308	393,098
Other postemployment benefits	83,178	85,593
Services	64,734	60,392
Fuel & lubricants	44,858	46,729
Tires & tubes	2,668	2,318
Other materials & supplies	59,900	55,943
Utilities	47,611	52,691
Casualty & liability	11,742	53,029
Taxes	1,798	2,066
Purchased transportation	48,410	47,353
Leases and rentals	32,118	31,511
Miscellaneous	4,835	4,057
Depreciation	336,185	329,546
Total operating expenses	<u>1,641,175</u>	<u>1,649,603</u>
Loss from operations	<u>(1,107,932)</u>	<u>(1,123,721)</u>
<b><u>NON-OPERATING REVENUES/(EXPENSES):</u></b>		
Capital funds used for operating assistance and planning grants:		
Federal government	67,102	68,314
Commonwealth of Pennsylvania	41,415	41,424
Local governments	1,418	1,409
Operating grants:		
Commonwealth of Pennsylvania Act 44 Funds	560,172	550,074
Local Governments Act 44 Matching Funds	82,995	82,140
Total government subsidies for operations	<u>753,102</u>	<u>743,361</u>
Other Private/Public Sources		
Investment income	3,971	2,307
Gain/(Loss) on disposal of capital assets	(15)	(18)
Interest expense (Note 5)	(18,278)	(18,737)
Total nonoperating revenues (expenses)	<u>738,780</u>	<u>726,913</u>
Loss before capital grant funding	<u>(369,152)</u>	<u>(396,808)</u>
<b><u>CAPITAL GRANT FUNDING:</u></b>		
Federal	229,329	151,955
State	173,021	92,270
Local	4,471	5,567
Total capital grant funding	<u>406,821</u>	<u>249,792</u>
<b><u>INCREASE (DECREASE) IN NET POSITION</u></b>	<u>37,669</u>	<u>(147,016)</u>
Net position, beginning of year, before restatement	2,323,462	2,470,478
Cumulative effect of change in accounting principle (Note 13)	(670,169)	-
Net position, beginning, as restated	<u>1,653,293</u>	<u>2,470,478</u>
Net position, ending	<u>\$ 1,690,962</u>	<u>\$ 2,323,462</u>

See accompanying notes to Financial Statements.

**SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**  
**(THOUSANDS OF DOLLARS)**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Passenger receipts	\$ 485,698	\$ 476,194
Other receipts	56,291	53,435
Payments for salaries, wages and fringe benefits	(930,013)	(881,849)
Payments for fuel, utilities and taxes	(95,686)	(99,294)
Payments for casualty and liability claims	(30,090)	(35,189)
Payments for other operating expenses	(219,762)	(196,072)
Net cash used in operating activities	<u>(733,562)</u>	<u>(682,775)</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>		
Receipts of operating subsidies	<u>777,776</u>	<u>709,036</u>
Net cash provided by noncapital financing activities	<u>777,776</u>	<u>709,036</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Capital grants received	355,933	245,038
Acquisition of operating property and construction in progress	(434,965)	(270,986)
Proceeds from issuance of debt	35,707	27,957
Increase in long-term capitalized lease obligation	708	125
Repayment of long-term debt	(30,005)	(28,730)
Interest paid	(21,837)	(22,531)
Net cash used in capital and related financing activities	<u>(94,459)</u>	<u>(49,127)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Proceeds from sale of investments	134,863	110,693
Receipt of interest	1,665	1,509
Purchase of investments	(96,975)	(102,099)
Net cash provided by investing activities	<u>39,553</u>	<u>10,103</u>
<b><u>(DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<u>(10,692)</u>	<u>(12,763)</u>
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
Beginning of year	160,592	173,355
End of year	<u>\$ 149,900</u>	<u>\$ 160,592</u>
<b><u>CASH AND CASH EQUIVALENTS</u></b>		
Unrestricted	\$ 24,382	\$ 56,567
Restricted	125,518	104,025
Total	<u>\$ 149,900</u>	<u>\$ 160,592</u>
<b><u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u></b>		
Operating loss	\$ (1,107,932)	\$ (1,123,721)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	336,185	329,546
Decrease in receivables	7,779	6,369
(Increase) decrease in materials & supplies	(9,383)	1,531
(Increase) decrease in prepaid expenses	(830)	205
Increase in accounts payable - trade	6,086	7,103
(Decrease) in accrued expenses and other liabilities net of other assets	(83,323)	(1,888)
Increase in net pension liability and pension deferred inflows/outflows	59,340	-
(Decrease) increase in public liability and property damage claims	(24,662)	12,487
Increase in other postemployment benefits	83,178	85,593
Total adjustments	<u>374,370</u>	<u>440,946</u>
Net cash used in operating activities	<u>\$ (733,562)</u>	<u>\$ (682,775)</u>

See accompanying notes to Financial Statements.

**SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)**  
**JUNE 30, 2015 AND 2014**

1. Summary of Significant Accounting Policies

Basis of Presentation and Nature of Authority

The Southeastern Pennsylvania Transportation Authority ("Authority" or "SEPTA"), an instrumentality of the Commonwealth of Pennsylvania created by the State legislature, operates transportation facilities in the five-county Philadelphia metropolitan area which encompasses approximately 2,200 square miles. The Authority's operations are accounted for in the following separate divisions: City Transit, Regional Rail and Suburban Operations (Victory and Frontier). All material interdivisional transactions have been eliminated.

The City Transit Division serves the City of Philadelphia ("City") with a network of 85 subway-elevated, light rail, trackless trolley and bus routes, as well as demand response services, providing approximately 628 thousand passenger trips per day. The Regional Rail Division serves all five counties with a network of 13 commuter rail lines, providing approximately 130 thousand passenger trips per day. The Suburban Operations Division serves the western and northern suburbs with a network of 45 interurban trolley, light rail and bus routes, as well as demand response services, providing approximately 58 thousand passenger trips per day.

There are two principal sources of revenue: passenger revenue and governmental subsidies. The subsidies are dependent upon annual appropriations, which are not determinable in advance, from Federal, State and local sources. The subsidies for Fiscal Years 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Federal subsidies:		
Preventive maintenance reimbursement	\$ 36,200	\$ 37,971
Leasehold/debt service/other reimbursements	30,902	30,343
State and local subsidies:		
Act 44 operating subsidies	643,167	632,214
Act 44 leasehold/debt service reimbursements	42,833	42,833
Total subsidies	<u>\$ 753,102</u>	<u>\$ 743,361</u>

On July 6, 2012, the President signed "Moving Ahead for Progress in the 21st Century (MAP-21)" into law. MAP-21 authorized funding for Fiscal Years 2013 and 2014. Through several extensions passed by Congress and signed by the President, MAP-21 continues to be authorized until October 29, 2015. Federal subsidies are providing for the reimbursement of vehicle, fixed guideway and structure preventive maintenance, debt service and certain capital lease expenses.

Since Fiscal Year 2008, State funding had been pursuant to Act 44 of 2007 ("Act 44"). Act 44 was enacted by the State legislature in July 2007 and signed into law by the Governor on July 18, 2007. This legislation established a Public Transportation Trust Fund ("PTTF") in the State Treasury and completely restructured the way public transportation is funded in Pennsylvania. The former system of funding transit agencies from the State General Fund, Lottery Fund, Act 26 of 1991, and Act 3 of 1997 was repealed and replaced with the PTTF dedicated fund. The PTTF provided State funding, in conjunction with required local governmental matching funds, from the five-county SEPTA region for five programs, namely: operating, asset improvement, capital improvements, programs of statewide significance, and new initiatives. On November 25, 2013, the Governor signed into law Act 89 of 2013. This law, which amended Act 44 of 2007, became effective January 1, 2014.

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Nature of Authority (Continued)

Act 44 of 2007, as amended by Act 89 of 2013, is a comprehensive transportation funding bill for the Commonwealth of Pennsylvania. For the Authority, the transportation funding bill will provide a predictable, growing source of funds to make critical infrastructure repairs and improvements. Act 44 of 2007, as amended by Act 89, provides state funding in conjunction with required local governmental matching funds from the five-county SEPTA region for operating, the Asset Improvement Program, Programs of Statewide significance, Capital Improvement Program and Alternative Energy Capital Investments program.

State funding represents the largest single source of subsidy revenue and the City is the largest single provider of local subsidies. Senior Citizen subsidies are primarily funded by the State and beginning in Fiscal Year 2008 only includes subsidies related to the State Shared Ride program. It is the Authority's policy to record all subsidies on a basis consistent with the time period specified in the governmental grant for federal and state subsidies. Local government subsidies were recorded based upon the matching funding requirements of Act 44 and Act 89.

Accounting and Financial Reporting

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", which requires a Management's Discussion and Analysis to provide an analytical overview and discussion of financial activities. In Fiscal Year 2015, the Authority adopted the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68." GASB Statement No. 68 established financial reporting standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for pensions. GASB Statement No. 71 addressed an issue regarding the application of the transition provisions related to pension contributions made to defined benefit pension plans after the measurement date of the beginning net pension liability. The statements resulted in the Authority restating the beginning net position for Fiscal Year 2015 to recognize the Authority's net pension liability and deferred outflows of resources for contributions made subsequent to the measurement date as of July 1, 2014.

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis in conformity with accounting principles generally accepted in the United States of America as applied to government units. Revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The Authority distinguishes operating revenues and expenses from nonoperating items in the preparation of its financial statements. Operating revenues and expenses generally result from the Authority's principal operation of providing passenger service. The principal operating revenues are passenger fares and essentially all operating expenses relate to the delivery of passenger transportation. All other revenues and expenses are reported as nonoperating revenues or expenses, or capital grants. The cash flow statement is prepared using the direct method.

Use of Estimates

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

Renewal and Replacement

A previous agreement with the City required the Authority to provide a portion of its gross revenues to be used for renewal and replacements of operating property, including, when approved, the matching of State or Federal grant funding for the acquisition of capital assets. These funds are included in the restricted cash and investments by the Authority.

1. Summary of Significant Accounting Policies (Continued)

Investments

The Authority accounts for investments at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. Investments are more fully described in Note 2.

Materials and Supplies

The inventory of materials and supplies of maintenance parts is valued on an average cost basis.

Capital Assets

It is the Authority's policy to capitalize and depreciate capital assets acquired with capital grants, renewal and replacement and other operating funds, as more fully described in Note 4.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources or expense until then. The Authority has three items that qualify for reporting in this category within its Statements of Net Position. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources or revenue until that time. The Authority has one item, concerning deferred pension gains, that qualifies for reporting in this category.

Pensions

The Authority maintains five trustee, single-employer, defined benefit pension plans covering substantially all of its full-time employees, other than regional rail union employees. Regional rail union employees are covered under pension provisions of the Railroad Retirement Act. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The pension plans are more fully described in Note 7.

Other Postemployment Benefits

During Fiscal Year 2008, the Authority adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The statement establishes standards for the measurement, recognition, and display of other postemployment benefits ("OPEB") expense/expenditures and related liabilities and note disclosures. The statement requires recognition of the cost of OPEB in the periods when the related employees' services are received and requires reporting certain information, such as funding policy and actuarial evaluation process and assumptions. The impact of GASB Statement No. 45 is more fully described in Note 8.

Self-Insurance

The Authority provides for the present value of the self-insurance portion of public liability, property damage, workers' compensation claims, and pollution remediation obligations. The Authority is also self-insured for medical coverage and prescription drug benefits it provides to most employees and certain retirees through third-party administrators. As of January 1, 2015, the Authority elected to self-insure, through two third-party administrators, the dental coverage it provides to most employees. The Authority's self-insurance is more fully described in Note 11.

Grants and Subsidies

All capital grants, meeting the timing and eligibility requirements of the grant agreement, are recorded as an increase in the Statement of Revenues, Expenses and Changes in Net Position.



1. Summary of Significant Accounting Policies (Continued)Statements of Cash Flows

For the purpose of the Statements of Cash Flows, the Authority considers cash equivalents to be all highly liquid investments with a maturity of ninety days or less at the time of purchase.

2. Cash, Cash Equivalents and Investments

The investments in the accompanying financial statements are reported at fair value.

The components of cash and cash equivalents as of June 30 are:

	<u>2015</u>	<u>2014</u>
Cash on hand	\$ 3,085	\$ 2,281
Cash in bank	28,853	56,467
Money market funds	130,317	108,332
U.S. Government and agencies	2,891	-
Commercial paper	-	6,498
Outstanding checks	<u>(15,246)</u>	<u>(12,986)</u>
Total cash and cash equivalents	149,900	160,592
Less current portion - unrestricted	24,382	56,567
Less current portion - restricted	<u>93,647</u>	<u>42,184</u>
Total noncurrent portion - restricted	<u>\$ 31,871</u>	<u>\$ 61,841</u>

The components of investments as of June 30 are:

	<u>2015</u>	<u>2014</u>
U.S. Government and agencies	\$ 85,085	\$ 90,937
Certificates of Deposit	1,949	5,127
Commercial paper	8,189	36,460
Mutual funds	<u>6,048</u>	<u>5,949</u>
Total investments	101,271	138,473
Less current portion - unrestricted	42,873	55,538
Less current portion - restricted	<u>18,893</u>	<u>30,632</u>
Total noncurrent portion - restricted	<u>\$ 39,505</u>	<u>\$ 52,303</u>

2. Cash, Cash Equivalents and Investments (Continued)

The Authority has set aside cash, cash equivalents and investments primarily to provide for the payment of a portion of its future obligations. These include amounts restricted primarily for: State dedicated funds in accordance with Act 44 and contractual agreements between the Authority and external parties. The amounts restricted, as of June 30, are as follows:

	<u>2015</u>	<u>2014</u>
Restricted:		
State dedicated funding provided by Act 44, including local match	\$ 60,697	\$ 21,016
State Funding provided for Sub-recipients	167	-
State Senior Citizen, Free Transit Funding Provided for Sub-recipients	5	-
Debt Service Funds:		
Capital Grant Receipts Bonds, Series of 2011	25,938	25,790
Revenue Refunding Bonds, Series of 2010	20,938	20,934
Special Revenue Bonds, Series of 2007	13,534	13,687
Capital Project Funds:		
Silverliner V railcar and Wayne Junction Intermodal Facility Fund (Unspent proceeds - Capital Grant Receipts Bonds, Series 2011)	19,706	38,454
City Hall Dilworth Plaza Fund	674	4,840
Market-Frankford Elevated Haunch Repair Fund	8,637	8,511
New Payment Technology Fund	12,729	1,627
Lease/leaseback transaction proceeds to be used for capital or operating needs which require FTA approval:		
Renewal & Replacement Fund to be used as City match for specific capital projects	-	32,333
Lease/leaseback guaranteed investment contract to be used for payment of long-term lease obligation	16,170	15,385
Security deposits and other	4,721	4,383
Total	<u>\$ 183,916</u>	<u>\$ 186,960</u>

2. Cash, Cash Equivalents and Investments (Continued)

As of June 30, 2015, allowable investments of the Authority were specified by Act 3 of 1994 ("Act 3"). In general, the Authority may invest in obligations of the U. S. Government and its agencies, repurchase agreements, which are secured by investments allowable by Act 3, and mutual funds which invest in the foregoing items. Act 3 does specifically limit investments in municipal bonds and commercial paper to any of the three highest and the highest rating categories, respectively, issued by nationally recognized statistical rating organizations. All the Authority's investment transactions are executed with recognized and established securities dealers and commercial banks, and conducted in the open market at competitive prices.

As of June 30, 2015, the Authority's investments in money market funds, mutual funds and bonds of U.S. agencies were rated Aaa by Moody's Investor Service. They also rated 100% of corporate securities as P-1. The Authority's general investment policy is to apply the prudent-person rule while adhering to the investment restrictions as prescribed in Act 3, the Authority's enabling legislation: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The Authority places no limit on the amount the Authority may invest in any one issuer. More than five percent of the Authority's cash equivalents and investments are in the money market, mutual funds and government securities held by Morgan Stanley Government Institutional Money Market Fund, Federal Home Loan Bank, Morgan Stanley Treasury Fund, Federal National Mortgage Association and Western Asset Institutional Government Money Market Fund. These cash equivalents and investments are 25.53%, 23.16%, 13.09%, 7.05% and 5.04%, respectively, of the Authority's total cash equivalents and investments.

For a deposit, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2015, \$28,603 of the Authority's cash in the bank of \$28,853 was fully collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2015, \$136,365 of the Authority's cash equivalent and investment balance of \$234,479 was exposed to custodial credit risk as follows:

Money market funds	\$ 130,317
Mutual funds	<u>6,048</u>
Total	<u><u>\$ 136,365</u></u>

The money market funds and mutual funds invest solely in securities that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Fund shares are not insured or guaranteed. SEPTA's policy requires that all deposits with financial institutions must be collateralized to the extent not protected by F.D.I.C. insurance and in accordance with the Commonwealth of Pennsylvania Act No. 72 of 1971. Securities that can be accepted as collateral are limited to U.S. Government Securities, Federal Agency Securities and Municipal Securities. Also, in accordance with its policy, SEPTA's investments, except for money market funds and mutual funds, are held in the Authority's name by a third-party safe-keeping custodian that is separate from the counterparty or in the custody of a trust department, as required by bond covenants.

2. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of an investment's sensitivity to changes in interest rates and is a measure of the cash-weighted average term to maturity of the investment. The higher the duration, the greater the changes in fair value when interest rates change. The Authority measures interest rate risk using effective duration expressed in years. Effective duration takes into consideration the changes in expected cash flows for securities with embedded options or redemption features, when the prevailing interest rates change. As of June 30, 2015 the Authority had the following investments in its portfolio:

Investment type:	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. agencies	\$ 87,976	2.020
Certificates of deposit	1,949	1.831
Commercial paper	8,189	0.350
Money market funds	130,317	0.003
Mutual funds	6,048	0.003
	<hr/> 234,479	
Cash in bank	28,853	
Total fair value including accrued interest	<hr/> \$ 263,332	
Portfolio effective duration		0.650

Through its investment policy, the Authority manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its operating cash investments to less than six months, and its entire invested portfolio to less than one year. The Authority's operating cash invested at fiscal year-end was \$11 thousand with an effective duration of 0.003 years. The Authority's entire invested portfolio at fiscal year-end was \$263.3 million with an effective duration of 0.065 years.

The nature and composition of the Authority's deposits and investments during the year were similar to those at year-end.

3. Capital Contributions and GrantsCapital Contributions and Grants Received

Under the Federal Transit Act, as amended, the United States Department of Transportation ("U.S. DOT"), the State and the local governments have approved capital grants aggregating approximately \$8.5 billion from inception to June 30, 2015 for the modernization and replacement of existing transportation facilities and the acquisition of transit vehicles. At June 30, 2015, the Authority had incurred costs of approximately \$8.1 billion against these grants of which \$406.8 million and \$249.8 million were incurred in Fiscal Years 2015 and 2014, respectively.

The terms of these grants require, among other things, the Authority to utilize the equipment and facilities for the purpose specified in the grant agreement, maintain these items in operation for a specified time period, which normally approximates the useful life of the asset, and comply with the equal employment opportunity and affirmative action programs as required by the Federal Transit Act. Failure to comply with these terms may jeopardize future funding and require the Authority to refund a portion of these grants to the U.S. DOT. In management's opinion, the Authority is in substantial compliance with these requirements as of June 30, 2015.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

4. Capital Assets

Capital assets are summarized as follows:

	June 30, <u>2014</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Retirements</u>	June 30, <u>2015</u>
Capital Assets					
Revenue vehicles	\$ 2,446,860	\$ 124,010	\$ 35,611	\$ 26,320	\$ 2,580,161
Transit facilities, rail, stations & depots	2,659,050	109,561	-	-	2,768,611
Track, roadway & signals	2,560,530	63,217	-	-	2,623,747
Intangibles	34,310	423	-	-	34,733
Other	564,629	76,931	19,253	55,738	605,075
Total	<u>8,265,379</u>	<u>374,142</u>	<u>54,864</u>	<u>82,058</u>	<u>8,612,327</u>
Construction in progress	<u>144,776</u>	<u>96,869</u>	<u>(54,864)</u>	<u>-</u>	<u>186,781</u>
Total	<u>8,410,155</u>	<u>471,011</u>	<u>-</u>	<u>82,058</u>	<u>8,799,108</u>
Accumulated depreciation					
Property and equipment	<u>4,780,705</u>	<u>336,185</u>	<u>-</u>	<u>82,043</u>	<u>5,034,847</u>
Total	<u>4,780,705</u>	<u>336,185</u>	<u>-</u>	<u>82,043</u>	<u>5,034,847</u>
Capital assets, net	<u>\$ 3,629,450</u>	<u>\$ 134,826</u>	<u>\$ -</u>	<u>\$ 15</u>	<u>\$ 3,764,261</u>
	June 30, <u>2013</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Retirements</u>	June 30, <u>2014</u>
Capital Assets					
Revenue vehicles	\$ 2,384,012	\$ 68,950	\$ 13,473	\$ 19,575	\$ 2,446,860
Transit facilities, rail, stations & depots	2,595,815	63,235	-	-	2,659,050
Track, roadway & signals	2,518,489	37,618	4,423	-	2,560,530
Intangibles	34,259	51	-	-	34,310
Other	540,250	30,488	1,401	7,510	564,629
Total	<u>8,072,825</u>	<u>200,342</u>	<u>19,297</u>	<u>27,085</u>	<u>8,265,379</u>
Construction in progress	<u>84,386</u>	<u>79,687</u>	<u>(19,297)</u>	<u>-</u>	<u>144,776</u>
Total	<u>8,157,211</u>	<u>280,029</u>	<u>-</u>	<u>27,085</u>	<u>8,410,155</u>
Accumulated depreciation					
Property and equipment	<u>4,478,226</u>	<u>329,546</u>	<u>-</u>	<u>27,067</u>	<u>4,780,705</u>
Total	<u>4,478,226</u>	<u>329,546</u>	<u>-</u>	<u>27,067</u>	<u>4,780,705</u>
Capital assets, net	<u>\$ 3,678,985</u>	<u>\$ (49,517)</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 3,629,450</u>

Capital assets are acquired with capital grants, renewal and replacement and other operating funds. Capital assets are stated at cost and depreciation is computed by the straight-line method over the estimated useful lives of the assets. The estimated useful lives are generally 12 to 30 years for revenue vehicles, 30 years for structures, track and roadway, and 4 to 10 years for intangibles, signals and other equipment. Vehicle overhaul costs are capitalized and depreciated as capital assets over the extended useful lives of the vehicles estimated at 4 or 5 years. Capital assets which are inexhaustible and intangible assets with indefinite useful lives are not subject to depreciation.

As of June 30, 2015, construction in process principally consists of infrastructure improvements and revenue vehicles which will be primarily funded by capital grants.

As of June 30, 2015, the Authority has commitments for various unexpended construction contracts of approximately \$436 million and commitments for unexpended revenue vehicle purchases for regional rail cars and buses of approximately \$113 million.



(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps

Long-term debt as of June 30, 2015 and 2014 consists of the following:

	June 30, 2014	Additions	Market Value Change	Payments/ Reductions	June 30, 2015	Due Within One Year
Long-Term Debt:						
Capital Grants Receipts Bonds, Series 2011, due in varying amounts through 2029, with annual interest rates from 3.125% to 5%	\$ 178,380	\$ -	\$ -	\$ 8,450	\$ 169,930	\$ 8,810
New Payment Technology Loan with annual interest rate of 1.75%	47,140	35,707	-	-	82,847	-
Revenue Refunding Bonds, Series of 2010, due in varying amounts through 2028, with annual interest from 3% to 5%	171,345	-	-	12,955	158,390	13,345
Variable Rate Revenue Refunding Bonds, Series of 2007, with interest based on 67% of 1-month LIBOR plus 1.05% through 2022	82,075	-	-	8,600	73,475	9,025
	478,940	35,707	-	30,005	484,642	\$ 31,180
Unamortized bond premium, net of discount	27,459	-	-	3,428	24,031	
Subtotal Long-Term Debt	506,399	35,707	-	33,433	508,673	
Swaps:						
Series of 2007 Swap	13,757	-	(2,573)	-	11,184	
Series of 2010 Basis Swap	1,170	-	(1,170)	-	-	
Subtotal Swaps	14,927	-	(3,743)	-	11,184	
Total Long-Term Debt, including Swaps	\$ 521,326	\$ 35,707	\$ (3,743)	\$ 33,433	\$ 519,857	
Long-Term Debt:	June 30, 2013	Additions	Market Value Change	Payments/ Reductions	June 30, 2014	Due Within One Year
Capital Grants Receipts Bonds, Series 2011, due in varying amounts through 2029, with annual interest rates from 3% to 5%	\$ 186,485	\$ -	\$ -	\$ 8,105	\$ 178,380	\$ 8,450
New Payment Technology Loan with annual interest rate of 1.75%	19,183	27,957	-	-	47,140	-
Revenue Refunding Bonds, Series of 2010, due in varying amounts through 2028, with annual interest from 3% to 5%	183,870	-	-	12,525	171,345	12,955
Variable Rate Revenue Refunding Bonds, Series of 2007, with interest based on 67% of 1-month LIBOR plus 1.05% through 2022	90,175	-	-	8,100	82,075	8,600
	479,713	27,957	-	28,730	478,940	\$ 30,005
Unamortized bond premium, net of discount	31,047	-	-	3,588	27,459	
Subtotal Long-Term Debt	510,760	27,957	-	32,318	506,399	
Swaps:						
Series of 2007 Swap	16,482	-	(2,725)	-	13,757	
Series of 2010 Basis Swap	1,635	-	(465)	-	1,170	
Subtotal Swaps	18,117	-	(3,190)	-	14,927	
Total Long-Term Debt, including Swaps	\$ 528,877	\$ 27,957	\$ (3,190)	\$ 32,318	\$ 521,326	

5. Long-Term Debt and Swaps (Continued)Long-Term Debt:

In 1968, the Authority and the City entered into concurrent lease agreements whereby the Authority leased the former Philadelphia Transportation Company owned properties, which the Authority acquired in 1968, to the City and the City leased those properties, as well as certain City-owned transit properties, to the Authority. The agreements provided for the City to make rental payments to the Authority in amounts equal to the debt service (principal and interest) on the Authority's Rental Revenue Bonds which matured during Fiscal Year 2003. Also, the Authority had paid fixed rent to the City in the amounts necessary to meet the debt service on the self-supporting City bonds. The final fixed rent payment was made in 2005 as planned. The Authority was to also pay to the City, out of the net revenues from leased property, cumulative additional rent in amounts equal to the debt service on the Authority's Rental Revenue Bonds and non-cumulative additional rents. The Authority's obligation to meet the cumulative additional rent requirements has been forgiven with the exception of fiscal years 1969, 1970, 1995 through 1998 and fiscal years 2001 through 2003. The Authority has paid the cumulative additional rent for Fiscal Years 1995 and 1996. The Authority had an unrecorded contingent liability, which was discharged under the new lease agreement effective July 1, 2014, for cumulative additional rent for Fiscal Years 1969, 1970, 1997, 1998 and 2001 through 2003 totaling approximately \$24.7 million. These leases were to expire when the Authority would make the last payment of fixed rent or cumulative additional rent, or December 31, 2005, whichever would be later.

It had been the Authority's position that the lease and leaseback agreements did not expire on December 31, 2005, but that, in accordance with their terms, the agreements continue in full force and effect, *inter alia*, while cumulative additional rent and debt service on the Authority's bonds remained outstanding. In October 2005, the Authority and the City entered into a standstill agreement by which they agreed that the lease and leaseback agreements would remain in full force and effect during the term of the standstill agreement without waiver, admission or prejudice to the parties' respective positions. The standstill agreement, initially in effect until December 31, 2007, was subsequently extended for two additional one-year terms which expired December 31, 2009. In December 2009, the standstill agreement was amended to continue on a month-to-month basis unless terminated by either party or upon completion of a master agreement.

On July 15, 2014, the City of Philadelphia (City) and the Authority entered into a new City Transit Division Properties Lease Agreement (Lease Agreement) effective as of July 1, 2014. The new Lease Agreement terminated the existing 1968 lease agreement between the City and the Authority. The Lease Agreement provides that the City will lease to the Authority certain City owned transit properties, including the City owned Suburban Station Concourse property and certain rolling stock, to enable the Authority to continue operating the City Transit Division as part of the SEPTA system. The initial term of the Lease Agreement is for thirty years and expires June 30, 2044. The Lease Agreement provides for automatic extensions of 2-additional terms of fifteen years each unless the Authority provides notice to the City not to renew prior to each extended term. Under the Lease Agreement, the Authority made a nominal fixed rent payment to the City and will be responsible for keeping the City owned transit properties in good operating condition, including alterations and replacements. The Authority will also pay to the City additional rent, an amount equal to forty percent of new sources of net revenues less certain Concourse expenditures generated by the City owned transit properties. Project expenditures incurred to generate the new sources of revenue are permitted to be recovered in full so any unreimbursed project expenditures shall be carried forward to future years until fully recovered. For the Fiscal Year ending June 30, 2015, the Authority has calculated and determined that no additional rent is due to the City under the Lease Agreement.

In February 1999, the Authority issued \$262.0 million of Special Revenue Bonds, Series of 1999A ("1999A Bonds") and 1999B ("1999B Refunding Bonds"), due in varying amounts through 2029, with annual interest from 3.25% to 5.25%. The net proceeds of the 1999A Bonds were used to finance a portion of the Market-Frankford Subway-Elevated line vehicle acquisition program; refinance a bridge loan for payment of a portion of the vehicle acquisition program; reimburse the Authority for a portion of the costs of certain capital projects and pay a portion of the premium for a debt service reserve fund insurance policy. The net proceeds of the 1999B Refunding Bonds were used to refund \$73.2 million of the 1995A Bonds, and pay a portion of the premium for a debt service reserve fund insurance policy. In October 2010, the Authority terminated the 1999 Series Bonds and issued \$222.5 million of Revenue Refunding Bonds, Series of 2010 ("2010 Bonds"), due in varying amounts through 2028 with remaining annual interest rates between 3.0% and 5.0%. The proceeds of the 2010 Bonds along with other funds of the Authority were used to refund the Authority's outstanding Special Revenue Bonds, Series of 1999A and 1999B, fund termination payments in connection with the Swap Agreements relating to the 1999 Bonds, fund accrued amounts payable on the Swap Agreements through the date of termination and fund certain costs and expenses incurred in connection with the issuance of the 2010 Bonds. Excluding the additional debt issued associated with termination of the swap, the net refunding transaction decreased the Authority's debt service payments by \$34.5 million and resulted in an economic gain of \$23.4 million. This amount represents the difference between the present value of the debt service on the old and new bonds. The Basis Swap in connection with the 1999 Bonds was amended so that it is now associated with the 2010 Bonds.

5. Long-Term Debt and Swaps (Continued)

Long-Term Debt: (Continued)

In March 2007, the Authority issued \$131.7 million of Variable Rate Revenue Refunding Bonds, Series of 2007 ("2007 Bonds"), due in varying amounts through 2022. The net proceeds of the 2007 Bonds were used to retire the Authority's outstanding Special Revenue Bonds, Series of 1997 ("1997 Bonds") due in varying amounts through 2022, with annual interest from 4.00% to 5.75% and pay the premium for a debt service reserve fund insurance policy. The net proceeds of the 1997 Bonds were used to reimburse the Authority for a portion of the costs of certain capital projects; refund certain leases entered into by the Authority for a building and related equipment; pay the costs of certain capital projects and pay the premium for a debt service reserve fund insurance policy. On October 5, 2010, in conjunction with the issuance of the 2010 Bonds, the Authority converted the interest rate mode of its 2007 Bonds from a weekly mode to a daily mode based on SIFMA (Securities Industry and Financial Markets Association). On December 20, 2012, the Authority converted the interest rate mode of \$98.0 million of its then outstanding principal amount Variable Rate Revenue Refunding Bonds, Series 2007, from a daily mode to an indexed mode. The interest rate on the bonds are now set monthly at a rate equal to 67% of 1-month LIBOR (London Interbank Offered Rate) plus 105 basis points. The converted indexed Variable Rate Revenue Refunding Bonds, Series 2007, may not be converted from an indexed mode to a different mode.

The 2007 and 2010 Bonds are secured by dedicated funding received pursuant to Act 44.

In August 2011, the Authority issued \$201.6 million of Capital Grant Receipts Bonds, Series 2011 ("2011 Bonds"), due in varying amounts through 2029 with annual interest rates now ranging from 3.125% to 5.0%. The net proceeds from the sale of the 2011 Capital Grant Receipts Bonds are being used to finance the acquisition of 116 Silverliner V Regional Railcars, finance the rehabilitation of the Wayne Junction Intermodal Facility, fund a deposit to the Debt Service Reserve Fund, and fund certain costs and expenses in connection with the issuance and sale of the 2011 Bonds.

In March 2012, the Authority entered into an agreement with PIDC (Philadelphia Industrial Development Corporation) Regional Center for a construction-like loan for an amount not to exceed \$175 million to fund the New Payment Technology (NPT) Project. The NPT Project will modernize SEPTA's current fare payment system. There are three loan tranches with terms ranging between five and six years with an interest rate for each loan tranche of 1.75% payable semi-annually on the outstanding loan balance. The first tranche of \$35 million was available as of March 29, 2012 and has a term of 5 years. The second tranche for \$75 million was available as of February 1, 2013 and has a term of 5.5 years. The third tranche for \$65 million was available July 1, 2013 and has a term of 6 years. The drawdown of the loan is expected to take place over a five year period to fund the construction and other related costs of the NPT project. The Authority drew down \$28 million in Fiscal Year 2014 and \$35.7 million in Fiscal Year 2015. The outstanding balance on the loan as of June 30, 2015 is \$82.8 million.

5. Long-Term Debt and Swaps (Continued)Long-Term Debt: (Continued)

At June 30, 2015, the aggregate debt service requirements of the Authority's debt and net payments on its related effective hedging derivative instrument are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt maturities	\$ 31,180	\$ 67,590	\$ 34,075	\$ 83,517	\$ 37,455
Debt related interest	18,130	17,009	15,326	14,105	11,912
Hedging derivative, net	3,370	2,957	2,523	2,067	1,588
Net Cash Flows	<u>\$ 52,680</u>	<u>\$ 87,556</u>	<u>\$ 51,924</u>	<u>\$ 99,689</u>	<u>\$ 50,955</u>

	<u>2021-2025</u>	<u>2026-2029</u>	<u>Total</u>
Debt maturities	\$ 134,875	\$ 95,950	\$ 484,642
Debt related interest	41,338	11,214	129,034
Hedging derivative, net	1,647	-	14,152
Net Cash Flows	<u>\$ 177,860</u>	<u>\$ 107,164</u>	<u>\$ 627,828</u>

The above amounts assume that current interest rates on the 2007 Variable Rate Refunding Bonds, which was 1.177% as of June 30, 2015 and the current reference rates on its related hedging (effective) derivative instrument will remain the same for their term. As rates vary, interest payments on the variable rate refunding bonds and receipts on the hedging derivative instrument will vary.

Swaps:

In March 2003, the Authority entered into a swaption agreement with Merrill Lynch Capital Services, Inc. (now Bank of America, NA, the "Counterparty"), related to its \$131.7 million Special Revenue Bonds, Series 1997, that provided the Authority an up-front payment of \$8.1 million. The swaption provided the Counterparty an option to obligate the Authority to enter into a pay-fixed, receive-variable interest rate swap at a future date. On March 1, 2007 the option associated with the Special Revenue Bonds, Series 1997 was exercised by the Counterparty, the bonds were called, and the Authority then issued Variable Rate Revenue Refunding Bonds, Series 2007. Concurrently, the Authority entered into a pay-fixed receive variable interest rate swap with the Counterparty. On December 20, 2012, the Authority converted the Variable Rate Revenue Bonds, Series 2007 from a daily rate interest mode to an indexed mode. The swap, now associated with the converted indexed Variable Rate Revenue Refunding Bonds, Series 2007, has a March 1, 2022 termination date, and a notional amount of \$73.5 million as of June 30, 2015.

In March 2003, the Authority also entered into a swaption agreement with Merrill Lynch Capital Services, Inc. (now Bank of America, NA) and Salomon Brothers (now Citibank, NA), collectively, the "Counterparties", related to its 1999 Special Revenue Bonds (the "Underlying Swap Agreement"). On December 29, 2005, the Authority restructured the Underlying Swap Agreement associated with its Special Revenue Bonds, Series 1999 with the Counterparties by converting the variable receive rate from 67% of one-month LIBOR, to the SIFMA Index, to reduce the likelihood the swaption would be exercised. To pay for the conversion, the Authority simultaneously entered into an off-market swap with Bank of America, NA (the "Basis Swap Agreement"), whereby the Authority agreed to pay the SIFMA Index rate and receive 67% of 3-month LIBOR plus 13.52 basis points, and an upfront payment equivalent to the Basis Swap Agreement conversion cost. In October 2010, the Authority refunded the Special Revenue Bonds, Series 1999, and issued the Revenue Refunding Bonds, Series 2010. Concurrently, the Underlying Swap Agreement was terminated, and the Basis Swap Agreement was amended on substantially the same terms, but is now associated with the Series 2010 Bonds, with a termination date of March 1, 2028, and a notional amount of \$149.9 million as of June 30, 2015.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps (Continued)

Swaps: (Continued)

The outstanding swaps are associated with the Revenue Refunding Bonds, Series of 2010 and with the Variable Rate Revenue Refunding Bonds, Series of 2007, which refunded the 1999 series bonds and 1997 series bonds, respectively.

As of June 30, 2015, the Authority had the following derivative instruments outstanding:

		Notional <u>Amount</u>	Fair Value <u>Classification</u>	Fair Value <u>Amount</u>	Changes in Fair Value <u>Classification</u>	Changes in Fair Value <u>Amount</u>
Business-type activities:						
Cash flow hedge:						
A.	Pay-fixed interest rate swap	\$ 73,475	Debt	\$ (11,184)	Deferred outflow	\$ 2,573
Fair value hedge:						
B.	Pay-variable interest rate swap	\$ 149,920	Other Assets	\$ 658	Investment Income	\$ 1,829

Derivative Instrument Types

*Hedge effectiveness:* As of June 30, 2015 and 2014, the derivative instrument B associated with the 2010 series bonds did not meet the criteria for effectiveness. Accordingly, the accumulated changes in fair value were reported within the investment income classification as \$1.8 million at June 30, 2015 and \$465 thousand at June 30, 2014. The cash flow hedge (derivative instrument A) associated with the 2007 series bond as of June 30, 2015 was evaluated to be effective using the regression analysis method. This method measures the statistical relationship between changes in the fair value or cash flows of the potential hedging derivative and the hedgeable item. For the potential hedging derivative instrument evaluated using regression analysis to be considered effective, the analysis must meet the following 3-criteria: an R-squared of at least 0.80, an F-statistic that indicates statistical significance at the 95 percent confidence interval, and a regression coefficient for the slope between -1.25 and -0.80.

Hedging Derivative Instrument – Objective and Terms:

The objectives and terms of the Authority's cash flow hedging derivative instrument outstanding at June 30, 2015 and the counterparty credit rating of Bank of America, NA is as follows:

Instrument	Derivative Type	Counterparty Credit Rating	Objective	Notional Amount	Effective Date	Termination Date	Terms
A	Pay-fixed interest rate swap	A1/A/A+	Hedge changes in cash flows on the 2007 Variable Rate Refunding Bonds	\$ 73,475	3/1/2007	3/1/2022	Receive 67% of 1-month LIBOR; pay 4.706% fixed



5. Long-Term Debt and Swaps (Continued)Swaps: (Continued)Fair Value

As of June 30, 2015, the swap associated with 2007 series bonds had a negative fair value of \$11.2 million and the basis swap associated with the 2010 series bonds had a positive fair value of \$.7 million. The fair value was estimated using the zero-coupon method. This method calculated the future net settlement payments required by the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

Rollover Risk

The Authority is exposed to rollover risk on hedging derivative instruments that are hedges of debt that may be terminated prior to maturity of the hedged debt. If these hedges were to be terminated prior to maturity of the debt, the Authority would be exposed to the risks being hedged by the derivative instrument.

Credit Risk

As of June 30, 2015, the Authority was exposed to credit risk, or the risk of economic loss due to a counterparty default, on its outstanding swaps in the amount of the derivatives' fair value of \$.7 million. As of June 30, 2015, the counterparty for both the Authority's swaps was Bank of America, NA which had a counterparty rating previously indicated in the terms for instrument A as rated by Moody's Investors Services, Standard & Poor's and Fitch, respectively. The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Basis Risk

The Authority has basis risk on the swap related to the Revenue Refunding Bonds, Series of 2010, issued October 1, 2010. This is because the floating rate that the Authority pays and the floating rate that the Authority receives from the basis swap counterparty, will vary with market conditions (basis differential). The basis differential could be either a positive or negative cash flow event, depending upon the relationship between SIFMA and LIBOR, the floating rate indexes underlying the basis swap.

Interest Rate Risk

As of June 30, 2015, the Authority had an ineffective derivative investment with the following maturity:

Investment Type	Fair Value	Investment Maturity More Than 10 Years
Derivative Instrument B	\$658	\$658

Termination Risk

The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

6. Leases and Other Liabilities

Leased property consists primarily of transit properties and equipment. Leased transit properties related to long-term debt obligations are described in Note 5. The leased properties, described within this note, are lease/leaseback agreements and operating leases.

Lease/leaseback Agreements

During Fiscal Year 2002, the Authority entered into a head lease agreement to lease for approximately 28 years 219 rail cars that are currently in service on the Market-Frankford subway-elevated line, and simultaneously lease the vehicles back. The Authority received prepayments under the head lease of \$336.1 million, of which it paid \$269.9 million to two debt payment undertakers to defease rents payable under the debt portion of the agreement, \$41.6 million to the equity payment undertaker to defease rents payable under the equity portion of the agreement, and \$3.2 million in transaction expenses. The rental obligations under the lease/leaseback, except for \$16.4 million as of June 30, 2015, are considered to be defeased in substance and therefore the related debt, as well as the trust assets, has been excluded from the Authority's financial statements. The proceeds, net of expenses, from the transaction of \$21.4 million were used, starting in Fiscal Year 2007, as reimbursement of state share on capital grants, which use had been approved by the Federal Transit Administration. The leaseback includes a purchase option, which upon exercise, will be funded in installments from funds used to defease the debt during the period from January 2, 2030 through December 15, 2030, that will allow the Authority to buy out the equity investor's remaining rights under the agreement, thereby terminating the entire transaction. In December 2008, the Authority terminated its lease debt and equity payment undertaking agreements with the payment undertaker and received \$89.9 million upon termination. Of this amount, the Authority deposited \$75.2 million with a trustee and U.S. Treasury Securities were purchased to defease the remaining lease payments under the Equity Payment Undertaking Agreement (EPUA). The securities purchased are scheduled to mature in amounts and on dates required to make the lease payments. The remaining \$14.7 million was restricted and invested to satisfy payments due under the Supplemental Payment Undertaking Agreement (SPUA). In July 2009, SEPTA paid an additional \$6.5 million to Wachovia Bank (now Wells Fargo) for a waiver of certain requirements in connection with its railcar lease.

Operating Leases

The Authority leases track, equipment, facilities, utility vehicles and certain software for its demand response services with leases expiring at various dates. Lease and rental expenses totaled \$32.1 million and \$31.5 million for Fiscal Years 2015 and 2014, respectively.

Other Liabilities

In Fiscal Year 2012, the Authority received two settlements of \$8.0 million and \$6.3 million related to work performed in previous years on the Market-Frankford Elevated Project. The Authority has received insurance refunds and proceeds from certain scrap sales of \$2.4 million and \$2.7 million in Fiscal years 2015 and 2014, respectively. The Federal Transportation Administration (FTA) has approved the Authority's request to use proceeds of \$8.0 million toward the renovation of Dilworth Plaza and \$11.4 million toward the repair of the Market-Frankford Elevated haunch failures.

Available proceeds included in other liabilities as of June 30, 2015, include \$8.6 million for the repair of the Market-Frankford Elevated haunch failures, \$.7 million for the renovation of Dilworth Plaza, and \$2.5 million unamortized swaption proceeds.

<u>Other Liabilities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Investment Earnings</u>	<u>Ending Balance</u>
2015	\$ 16,520	\$ 2,436	\$ (7,170)	\$ 3	\$ 11,789
2014	\$ 20,637	\$ 2,682	\$ (6,803)	\$ 4	\$ 16,520

7. Pension Plans

General Information about the Pension Plans

Plan Descriptions

The Authority maintains five trustee, single-employer, defined benefit pension plans covering substantially all of its full-time employees, other than regional rail union employees, and the plans are administered by the Authority's Human Resources Department. Regional rail union employees are covered under pension provisions of the Railroad Retirement Act. Administrative costs of all pension plans are financed through the plans' investment earnings. The Authority does not issue separate financial reports for the Plans. The Authority's five single-employer pension plans are as follows:

Retirement Plan for Supervisory, Administrative and Management Employees (SAM)

This plan covers all regular full-time non-bargaining employees immediately upon date of hire. Effective July 1, 1994 career part-time, job-sharer or co-op (until September 1, 2007) employees are covered provided they work 1,040 hours per year (975 hours prior to January 1, 1995 for career part-time and job-sharer employees).

Retirement Plan for Transit Police (TP)

This plan covers full-time employees who are members of the transit police bargaining unit. Employees become members of this plan on the first day of the month following the date they have become a full-time employee.

Retirement Plan for City Transit Division (CTD)

This plan covers full-time City Transit employees who are members of the TWU Local 234 or IBT Local 500. Employees become members of this plan on the July 1 following completion of six months of employment.

Retirement Plan for the Suburban Transit Division (STD)

This plan covers full-time employees of the Suburban Transit Division (previously referred to as Red Arrow Division) who are members of the TWU Local 234 or UTU Local 1594. Employees become members of this plan on the July 1 following completion of six months of employment.

Retirement Plan for the Frontier Division (FD)

This plan covers full-time employees of the Frontier Division who are members of the TWU Local 234. Employees become members of this plan on the July 1 following employment.

7. Pension Plans (Continued)

Benefits Provided

The SEPTA Board has the authority to establish and amend benefit provisions to each of the pension plans; however, the plans for Transit Police and certain Bargaining Employees - CTD, STD and FD - are based on the respective union bargaining agreement in effect at the time of retirement.

A bargaining unit employee (except for transit police) may retire with an unreduced pension benefit at age 62 with completion of 5 years of credited service or with 30 years of credited service with no restriction on age. A transit police employee may retire with an unreduced pension benefit at age 50 with completion of 25 years of credited service, and a SAM employee may retire with an unreduced pension benefit at age 62 with completion of at least 5 years of credited service or age 55 with 30 years of credited service. A bargaining unit employee's normal retirement benefit is based upon the following: 1.8% of average annual compensation for each year of credited service up to 10 years; plus 2% of average annual compensation for each year of credited service in excess of 10 years up to 20 years; plus 2.2% of average annual compensation for each year of credited service in excess of 20 years up to 30 years; plus 1.8% of average annual compensation for each year of credited service in excess of 30 years. For the City Transit, Suburban Transit, and Frontier plans, the average annual compensation is the greater of the three-year average of the employee's annual salary rate on the day before retirement and the same date for the two prior years or the employee's compensation during the highest 3 years among the last 6 years of employment prior to retirement divided by 3. This average annual compensation cannot exceed \$50,000 for these plans. The average annual compensation for the Transit Police Plan is the greater of the average of compensation earned during the 3 years preceding retirement or termination or the average of the annual rate of basic compensation for the 3 years preceding retirement or termination. A City Transit employee may retire early upon completion of 25 years of continuous service. The normal retirement benefit is reduced by 4% for each year that the early retirement date precedes age 62. A SAM employee's normal pension benefit is based on 1.8% of average annual compensation for each year of credited service to 30 years, plus 1% of average annual compensation per year of credited service in excess of 30 years. The average annual compensation for a SAM employee is the greater of the 3 year average of the employee's annual salary rate on the day before the retirement date and the same date for the prior two years or the SAM employee's compensation during the last 36 months of employment prior to retirement divided by three. A SAM employee may retire early either at age 55 with completion of 10 years of credited service or upon completion of 25 years of credited service. The normal retirement benefit is reduced by 4% for each year that the early retirement date precedes age 62. A transit police employee's retirement benefit is based on 53.5% of average annual compensation, plus an additional annual benefit of \$1,200 if at least one year of service is accrued in excess of 25 years.

Death benefits for an active SAM participant who dies with a surviving spouse are equal to the benefit that would have been payable had the participant terminated on his date of death, and retired on the later of date of death or age 55 with a 50% contingent annuity. This benefit is payable at the employee's age of 55 or date of death if later, reduced if payment commences prior to normal retirement date.

Transit Police employees are entitled to receive disability benefits for total and permanent disability if they are under the age of 50. The disability benefit equals the normal retirement benefit assuming level compensation and continued vesting and benefit service until the age of 50. The disability benefit is payable at age 50. Death benefits for an active participant who dies with a surviving spouse are equal to the benefit that would have been payable had the participant terminated on his date of death, and retired on his normal retirement date with a 50% contingent annuity. This amount is payable at the spouse's attainment of age 65. If the employee was eligible for normal retirement at death, the amount is payable immediately. Active employees who die in the line of duty and leave a surviving spouse receive the benefit that would have been paid to the participant had he or she attained his normal retirement age at the time of his or her death. This benefit is payable immediately to the surviving spouse with no reduction for early commencement.

City Transit employees can receive disability pension benefits for total and permanent disability if they have completed 15 years of continuous service. The disability pension benefit equals \$500 per month payable immediately for life. A City Transit employee can receive disability severance benefits for total and permanent disability if he or she has completed at least one year of continuous service. The disability severance benefit equals a lump sum payment of \$100 for each year of continuous service. Death benefits for an active participant who dies with a surviving spouse are equal to the benefit that would have been payable had the participant terminated on his date of death, and retired on his normal retirement date with a 50% contingent annuity. This benefit is payable at the spouse's attainment of age 65 or on a reduced basis if paid between the ages of 55 and 64. Alternatively, if the employee was eligible for normal retirement at death, the amount is payable immediately, at the normal benefit or reduced benefit if at early retirement.

7. Pension Plans (Continued)

Benefits Provided (Continued)

A Suburban Transit employee can receive disability benefits for total and permanent disability. The disability benefits are equal to a monthly benefit of \$8 or \$10 for TWU Local 234 or UTU Local 1594, respectively, for each year of continuous service if the employee has completed at least 5 years of continuous service. The disability benefit equals \$500 per month payable immediately for life if the employee has completed at least 15 years of continuous service. A UTU Local 1594 employee who has completed at least 15 years of continuous service has the option to choose a lump sum payment equal to \$25 for each year of continuous service for total and permanent disability. Death benefits for an active participant who dies with a surviving spouse are equal to the benefit that would have been payable had the participant terminated on his date of death, and retired on his normal retirement date with a 50% contingent annuity. This benefit is payable at the spouse's attainment of age 65 or on a reduced basis if paid between the ages of 55 and 64. Alternatively, if the employee was eligible for normal retirement at death, the amount is payable immediately, at the normal benefit or reduced benefit if at early retirement.

Frontier Division employees can receive disability pension benefits for total and permanent disability if he or she has completed 15 years of continuous service. The disability pension benefit equals \$500 per month payable immediately for life. A Frontier Division employee can receive disability severance benefits for total and permanent disability if he or she has completed at least one year of continuous service. The disability severance benefit equals a lump sum payment of \$100 for each year of continuous service. Death benefits for an active participant who dies with a surviving spouse are equal to the benefit that would have been payable had the participant terminated on his date of death, and retired on his normal retirement date with a 50% contingent annuity. This benefit is payable at the spouse's attainment of age 65 or on a reduced basis if paid between the ages of 55 and 64. Alternatively, if the employee was eligible for normal retirement at death, the amount is payable immediately, at the normal benefit or reduced benefit if at early retirement.

All employees vest after five years of continuous service. A plan member who leaves employment may withdraw his or her contributions, plus any accumulated interest.



7. Pension Plans (Continued)Employees Covered by Benefit Terms

At July 1, 2013, the date of the actuarial valuation that was used to determine the Authority's total pension liability, the following employees were covered by the benefit terms:

	<u>SAM</u>	Transit <u>Police</u>	City <u>Transit</u>	Suburban <u>Transit</u>	<u>Frontier</u>	<u>Total</u>
Inactive employees or beneficiaries						
Currently receiving benefits	1,493	10	2,917	232	30	4,682
Inactive employees entitled to but not yet receiving benefits	458	48	749	110	31	1,396
Active employees	1,734	223	5,045	510	222	7,734
Total	<u>3,685</u>	<u>281</u>	<u>8,711</u>	<u>852</u>	<u>283</u>	<u>13,812</u>

Contributions

The Authority's Board establishes and may amend the employer contribution requirements. While there is no statutory or regulatory contribution requirement, the Authority's policy provides employer contributions for all plans based on actuarially determined rates recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The Authority may amend the contribution requirements of SAM Plan members. The contribution requirements for all other plans are based on the respective union agreements in effect during the period of employment.

The Authority and plan members' contribution rates of annual covered payroll for each plan as of the measurement date defined on the subsequent page are as follows:

Contribution rates:	<u>SAM</u>	Transit <u>Police</u>	City <u>Transit</u>	Suburban <u>Transit</u>	<u>Frontier</u>
SEPTA	26.53%	10.21%	17.97%	14.22%	7.52%
Plan members	*	3.85%	3.50%	3.50%	3.50%
SEPTA Contributions	\$ 35,353	\$ 1,389	\$ 47,588	\$ 3,805	\$ 809

\* 0.9% of pay up to Social Security covered compensation plus 1.1% of pay in excess of Social Security covered compensation.

7. Pension Plans (Continued)Contributions (Continued)

The Authority and plan members' contribution rates of annual covered payroll for each plan as of June 30, 2014 are as follows:

Contribution rates:	<u>SAM</u>	Transit <u>Police</u>	City <u>Transit</u>	Suburban <u>Transit</u>	<u>Frontier</u>
SEPTA	27.86%	12.14%	17.75%	14.43%	7.24%
Plan members	*	3.85%	3.50%	3.50%	3.50%

\* 0.9% of pay up to Social Security covered compensation plus 1.1% of pay in excess of Social Security covered compensation.

Net Pension Liability

The Authority's Fiscal Year 2015 net pension liability was measured as of June 30, 2014 ("measurement date"). The total pension liability was determined by the use of update procedures to rollforward the pension plan's actuarial valuation dated July 1, 2013 to the measurement date.

Actuarial Assumptions

The Fiscal Year 2015 total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>SAM</u>	Transit <u>Police</u>	City <u>Transit</u>	Suburban <u>Transit</u>	<u>Frontier</u>
Investment rate of return <sup>1</sup>	7.25%	7.25%	7.25%	7.25%	7.25%
Salary increases, including inflation	3.50%	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%

<sup>1</sup> Interest is net of investment-related expenses.

<sup>2</sup> Salary scale rates vary by years of service, for actuarial valuation purposes .5% plus inflation

Mortality rates for all of the plans were based on the RP-2000 Employee Mortality Table for Males and Females for Preretirement, the RP-2000 Healthy Annuitant Mortality Table for Males and Females for beneficiaries, and the RP-2000 Disabled Annuitant Mortality Table for Males and Females for disabled beneficiaries, as appropriate, with adjustments for mortality improvements based on Scale AA. The mortality rates for the Transit Police Plan, City Transit Plan, Suburban Transit Plan, and the Frontier Plan include Blue Collar adjustments for Preretirement. No Blue Collar adjustments were made for beneficiaries.

The actuarial assumptions that determined the pension liability as of June 30, 2015 were based upon the results of an actuarial experience study for the period ending June 30, 2007 but reflecting subsequent changes in interest rate assumptions.

7. Pension Plans (Continued)Actuarial Assumptions (Continued)

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

(Note that the target allocation and long-term expected real rate of return percentages are the same for all five plans.)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00%	0.50%
Core Fixed Income	11.00%	2.09%
High Yield Bonds	4.00%	4.00%
Non-US Fixed Income	8.00%	1.36%
Large Cap US Equities	21.00%	5.61%
Small Cap US Equities	12.00%	7.36%
Developed Foreign Equities	18.00%	6.02%
Private Equity	5.00%	9.15%
Hedge Funds / Absolute Return	5.00%	3.12%
Real Estate (Property)	7.00%	4.43%
Real Estate (REITS)	3.00%	5.56%
Commodities	<u>4.00%</u>	3.58%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability for the five plans was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that SEPTA contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Plans (Continued)Changes in the Fiscal Year 2015 Net Pension LiabilitySAM Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	\$ 746,385	\$ 426,151	\$ 320,234
Changes for the year:			
Service cost	9,995	-	9,995
Interest	53,586	-	53,586
Differences between expected and actual experience	-	-	-
Contributions - employer	-	35,353	(35,353)
Contributions - employee	-	1,076	(1,076)
Net investment income	-	70,296	(70,296)
Benefit payments	(35,153)	(35,153)	-
Administrative expense	-	(100)	100
Other changes	(1,242)	576	(1,818)
Net changes	27,186	72,048	(44,862)
Balances as of end of year	\$ 773,571	\$ 498,199	\$ 275,372

Transit Police Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	\$ 36,321	\$ 25,344	\$ 10,977
Changes for the year:			
Service cost	1,245	-	1,245
Interest	2,710	-	2,710
Differences between expected and actual experience	-	-	-
Contributions - employer	-	1,389	(1,389)
Contributions - employee	-	557	(557)
Net investment income	-	4,268	(4,268)
Benefit payments	(379)	(379)	-
Administrative expense	-	(7)	7
Other changes	(44)	-	(44)
Net changes	3,532	5,828	(2,296)
Balances as of end of year	\$ 39,853	\$ 31,172	\$ 8,681

7. Pension Plans (Continued)Changes in the Fiscal Year 2015 Net Pension Liability (Continued)City Transit Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	\$ 928,285	\$ 452,727	\$ 475,558
Changes for the year:			
Service cost	16,365	-	16,365
Interest	66,692	-	66,692
Differences between expected and actual experience	-	-	-
Contributions - employer	-	47,588	(47,588)
Contributions - employee	-	9,431	(9,431)
Net investment income	-	74,777	(74,777)
Benefit payments	(50,412)	(50,412)	-
Administrative expense	-	(132)	132
Other changes	(1,774)	(308)	(1,466)
Net changes	30,871	80,944	(50,073)
Balances as of end of year	\$ 959,156	\$ 533,671	\$ 425,485

Suburban Transit Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	\$ 74,847	\$ 37,078	\$ 37,769
Changes for the year:			
Service cost	1,657	-	1,657
Interest	5,409	-	5,409
Differences between expected and actual experience	-	-	-
Contributions - employer	-	3,805	(3,805)
Contributions - employee	-	948	(948)
Net investment income	-	6,157	(6,157)
Benefit payments	(3,845)	(3,845)	-
Administrative expense	-	(11)	11
Other changes	241	(51)	292
Net changes	3,462	7,003	(3,541)
Balances as of end of year	\$ 78,309	\$ 44,081	\$ 34,228



7. Pension Plans (Continued)Changes in the Fiscal Year 2015 Net Pension Liability (Continued)Frontier Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances as of beginning of year	\$ 19,558	\$ 14,962	\$ 4,596
Changes for the year:			
Service cost	769	-	769
Interest	1,472	-	1,472
Differences between expected and actual experience	-	-	-
Contributions - employer	-	809	(809)
Contributions - employee	-	391	(391)
Net investment income	-	2,552	(2,552)
Benefit payments	(53)	(53)	-
Administrative expense	-	(3)	3
Other changes	(563)	(217)	(346)
Net changes	1,625	3,479	(1,854)
Balances as of end of year	\$ 21,183	\$ 18,441	\$ 2,742

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the SEPTA Pension Plans, calculated using the discount rate of 7.25 percent, as well as what SEPTA's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SAM	\$ 360,159	\$ 275,372	\$ 202,666
Transit Police	14,731	8,681	3,631
City Transit	528,680	425,485	337,048
Suburban Transit	43,313	34,228	26,490
Frontier	5,413	2,742	480
Total	\$ 952,296	\$ 746,508	\$ 570,315

7. Pension Plans (Continued)Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, SEPTA recognized pension expense of \$59,804 (\$23,503 for the SAM Plan, \$1,032 for the Transit Police Plan, \$32,123 for the City Transit Plan, \$2,754 for the Suburban Transit Plan, and \$392 for the Frontier Plan). At June 30, 2015, SEPTA reported deferred outflows of resources and deferred inflows of resources related to the five pension plans from the following sources:

Deferred Outflows of Resources

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ 209	\$ -	\$ 209
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	-	-
Contributions made subsequent to measurement date	37,122	1,708	47,017	3,860	779	90,486
Total	<u>\$ 37,122</u>	<u>\$ 1,708</u>	<u>\$ 47,017</u>	<u>\$ 4,069</u>	<u>\$ 779</u>	<u>\$ 90,695</u>

Deferred Inflows of Resources

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Differences between expected and actual experience	\$ (965)	\$ (39)	\$ (1,529)	\$ -	\$ (506)	\$ (3,039)
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	(31,471)	(1,900)	(33,388)	(2,751)	(1,147)	(70,657)
Contributions made subsequent to measurement date	-	-	-	-	-	-
Total	<u>\$ (32,436)</u>	<u>\$ (1,939)</u>	<u>\$ (34,917)</u>	<u>\$ (2,751)</u>	<u>\$ (1,653)</u>	<u>\$ (73,696)</u>

7. Pension Plans (Continued)Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The amounts reported as deferred outflows of resources for each of the five plans resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>SAM</u>	<u>Transit Police</u>	<u>City Transit</u>	<u>Suburban Transit</u>	<u>Frontier</u>	<u>Total</u>
Year ended June 30:						
2016	\$ (8,144)	\$ (480)	\$ (8,592)	\$ (657)	\$ (344)	\$ (18,217)
2017	(8,144)	(480)	(8,592)	(657)	(344)	(18,217)
2018	(8,144)	(480)	(8,591)	(657)	(344)	(18,216)
2019	(8,004)	(480)	(8,591)	(656)	(344)	(18,075)
2020	-	(5)	(245)	31	(56)	(275)
Thereafter	-	(14)	(306)	54	(221)	(487)

Annual Pension Cost and Related Information

The Authority's annual pension cost and related information for Fiscal Year 2014 were as follows:

	<u>SAM</u>	<u>Transit Police</u>	<u>City Transit</u>	<u>Suburban Transit</u>	<u>Frontier</u>	<u>Total</u>
Annual Pension Cost	\$ 37,122	\$ 1,652	\$ 47,017	\$ 3,860	\$ 779	\$ 90,430
Contributions made	35,353	1,444	47,588	3,805	809	88,999
Increase (decrease) in accrued pension liability	1,769	208	(571)	55	(30)	1,431
Accrued pension liability, beginning of year	35,198	1,441	47,304	3,786	806	88,535
Accrued pension liability, end of year	<u>\$ 36,967</u>	<u>\$ 1,649</u>	<u>\$ 46,733</u>	<u>\$ 3,841</u>	<u>\$ 776</u>	<u>\$ 89,966</u>

7. Pension Plans (Continued)Annual Pension Cost and Related Information (Continued)

	<u>SAM</u>	<u>Transit Police</u>	<u>City Transit</u>	<u>Suburban Transit</u>	<u>Frontier</u>
Actuarial valuation date	7/1/13	7/1/13	7/1/13	7/1/13	7/1/13
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed	Level dollar, closed	Level dollar, closed
Amortization period <sup>4</sup>	27 years	27 years	27 years	27 years	27 years
Asset valuation method	Actuarial value	Actuarial value	Actuarial value	Actuarial value	Actuarial value
Actuarial assumptions:					
Investment rate of return <sup>1</sup>	7.25%	7.25%	7.25%	7.25%	7.25%
Salary increases <sup>3</sup>	3.50%	2	2	2	2
Cost-of-living adjustments	None	None	None	None	None

<sup>1</sup> Interest is net of investment-related expenses.<sup>2</sup> Salary scale rates vary by years of service.<sup>3</sup> Reflects underlying inflation assumption of 2.75%.<sup>4</sup> Amortization period has been decreased by 1 year.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

	<u>Analysis of Pension Funding</u>		
	<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
SAM	6/30/14	\$37,122	100.0%
SAM	6/30/13	\$35,353	100.0%
SAM	6/30/12	\$34,550	100.0%
SAM	6/30/11	\$32,462	100.0%
SAM	6/30/10	\$31,213	100.0%
SAM	6/30/09	\$25,284	100.0%
Transit Police	6/30/14	1,652	100.0%
Transit Police	6/30/13	1,444	100.0% *
Transit Police	6/30/12	1,389	100.0%
Transit Police	6/30/11	1,190	100.0%
Transit Police	6/30/10	1,031	100.0%
Transit Police	6/30/09	733	100.0%
City Transit	6/30/14	47,017	100.0%
City Transit	6/30/13	47,588	100.0%
City Transit	6/30/12	49,218	100.0%
City Transit	6/30/11	48,635	100.0%
City Transit	6/30/10	43,320	100.0%
City Transit	6/30/09	38,534	100.0%
Suburban Transit	6/30/14	3,860	100.0%
Suburban Transit	6/30/13	3,805	100.0%
Suburban Transit	6/30/12	3,953	100.0%
Suburban Transit	6/30/11	3,811	100.0%
Suburban Transit	6/30/10	3,319	100.0%
Suburban Transit	6/30/09	2,908	100.0%
Frontier	6/30/14	<u>779</u>	<u>100.0%</u>
Frontier	6/30/13	<u>809</u>	<u>100.0%</u>
Frontier	6/30/12	<u>921</u>	<u>100.0%</u>
Frontier	6/30/11	<u>911</u>	<u>100.0%</u>
Frontier	6/30/10	<u>709</u>	<u>100.0%</u>
Frontier	6/30/09	<u>586</u>	<u>100.0%</u>
Total	6/30/14	<u>\$90,430</u>	<u>100.0%</u>
Total	6/30/13	<u>\$88,999</u>	<u>100.0%</u>
Total	6/30/12	<u>\$90,031</u>	<u>100.0%</u>
Total	6/30/11	<u>\$87,009</u>	<u>100.0%</u>
Total	6/30/10	<u>\$79,592</u>	<u>100.0%</u>
Total	6/30/09	<u>\$68,045</u>	<u>100.0%</u>

The percentage of annual pension cost contributed is based on the contribution accrued. The Authority's current practice, in accordance with its funding policy, is to contribute the actuarially determined annual required contributions during the successive fiscal year.

\* \$56 thousand of the Transit Police contribution related to the year ended June 30, 2013 was not funded until 7/9/14.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

<u>Schedules of Funding Progress</u>							
	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) - Level Dollar <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a / b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
SAM	7/1/2013	\$ 458,271	\$ 704,209	\$ 245,938	65.1%	\$ 133,250	184.6%
SAM	7/1/2012	\$ 423,293	\$ 632,186	\$ 208,893	67.0%	\$ 130,846	159.6%
SAM	7/1/2011	\$ 395,190	\$ 601,014	\$ 205,824	65.8%	\$ 128,215	160.5%
SAM	7/1/2010	\$ 357,290	\$ 552,099	\$ 194,809	64.7%	\$ 124,931	155.9%
SAM	7/1/2009	\$ 341,869	\$ 529,415	\$ 187,546	64.6%	\$ 122,325	153.3%
SAM	7/1/2008	\$ 376,919	\$ 499,524	\$ 122,605	75.5%	\$ 118,656	103.3%
Transit Police	7/1/2013	26,527	32,448	5,921	81.8%	13,606	43.5%
Transit Police	7/1/2012	23,049	27,483	4,434	83.9%	13,513	32.8%
Transit Police	7/1/2011	20,209	25,000	4,791	80.8%	12,553	38.2%
Transit Police	7/1/2010	17,172	21,393	4,221	80.3%	11,546	36.6%
Transit Police	7/1/2009	15,386	18,872	3,486	81.5%	10,523	33.1%
Transit Police	7/1/2008	15,908	16,367	459	97.2%	10,430	4.4%
City Transit	7/1/2013	496,364	887,626	391,262	55.9%	264,860	147.7%
City Transit	7/1/2012	457,299	817,103	359,804	56.0%	256,667	140.2%
City Transit	7/1/2011	426,221	785,762	359,541	54.2%	251,418	143.0%
City Transit	7/1/2010	382,757	736,230	353,473	52.0%	248,484	142.3%
City Transit	7/1/2009	365,702	684,997	319,295	53.4%	242,762	131.5%
City Transit	7/1/2008	397,906	661,740	263,834	60.1%	232,168	113.6%
Suburban Transit	7/1/2013	40,529	70,724	30,195	57.3%	26,750	112.9%
Suburban Transit	7/1/2012	37,049	63,648	26,599	58.2%	26,065	102.0%
Suburban Transit	7/1/2011	34,336	61,497	27,161	55.8%	25,155	108.0%
Suburban Transit	7/1/2010	30,762	56,928	26,166	54.0%	24,709	105.9%
Suburban Transit	7/1/2009	29,452	52,552	23,100	56.0%	23,447	98.5%
Suburban Transit	7/1/2008	31,582	50,200	18,618	62.9%	22,278	83.6%
Frontier	7/1/2013	15,425	18,191	2,766	84.8%	10,756	25.7%
Frontier	7/1/2012	13,506	16,004	2,498	84.4%	10,239	24.4%
Frontier	7/1/2011	12,072	15,178	3,106	79.5%	9,903	31.4%
Frontier	7/1/2010	10,089	13,385	3,296	75.4%	9,484	34.8%
Frontier	7/1/2009	9,054	11,529	2,475	78.5%	8,984	27.5%
Frontier	7/1/2008	9,307	10,619	1,312	87.6%	8,267	15.9%
Total	7/1/2013	<u>\$ 1,037,116</u>	<u>\$ 1,713,198</u>	<u>\$ 676,082</u>	<u>60.5%</u>	<u>\$ 449,222</u>	<u>150.5%</u>
Total	7/1/2012	<u>\$ 954,196</u>	<u>\$ 1,556,424</u>	<u>\$ 602,228</u>	<u>61.3%</u>	<u>\$ 437,330</u>	<u>137.7%</u>
Total	7/1/2011	<u>\$ 888,028</u>	<u>\$ 1,488,451</u>	<u>\$ 600,423</u>	<u>59.7%</u>	<u>\$ 427,244</u>	<u>140.5%</u>
Total	7/1/2010	<u>\$ 798,070</u>	<u>\$ 1,380,035</u>	<u>\$ 581,965</u>	<u>57.8%</u>	<u>\$ 419,154</u>	<u>138.8%</u>
Total	7/1/2009	<u>\$ 761,463</u>	<u>\$ 1,297,365</u>	<u>\$ 535,902</u>	<u>58.7%</u>	<u>\$ 408,041</u>	<u>131.3%</u>
Total	7/1/2008	<u>\$ 831,622</u>	<u>\$ 1,238,450</u>	<u>\$ 406,828</u>	<u>67.2%</u>	<u>\$ 391,799</u>	<u>103.8%</u>

7. Pension Plans (Continued)

The actuarial value of assets is adjusted to reflect the timing of the payment of the employer contribution receivable and recognizes one-third of investment earnings that are greater than or less than those expected by the assumed rate of return. As a result, the actuarial value of assets differs from the market value of assets and the net position held in trust for pension benefits.

The annual pension cost was affected by the reduction of the 30 year amortization period by 1 year beginning in Fiscal 2012 and now is 26 years. In Fiscal Year 2014, the interest rate assumption was reduced from 7.75% on a gross basis to 7.25% on a net basis. The changes increased the annual pension cost for the Union Plans \$1.9 million and the SAM Plan by \$.9 million. The actuarial accrued liability increased \$52.9 million for the Union Plans and \$36.8 million for the SAM Plan due to the change in the investment rate of return.

In Fiscal 2012, the annual pension cost was also affected by the lowering of the investment return assumption from 8.0% to 7.75% per year. The annual pension costs in Fiscal Year 2012 for the Union Plans and the SAM Plan increased by \$2.5 million and \$1.7 million, respectively, due to the changes. The change in the investment rate of return resulted in an increase to the actuarial accrued liability for the Union Plans of \$23.6 million and the SAM Plan of \$16.0 million.

The annual pension cost for Fiscal Year 2011 and the actuarial accrued liability as of July 1, 2010 were affected by changes to pension provisions modifying the formula for determining plan benefits. The annual pension costs for the Union plans increased by \$4.6 million due to the change. The increase to the actuarial accrued liability for the Union plans was \$32.9 million.

The annual pension cost for Fiscal Year 2009 was affected by changes in actuarial assumptions on salary growth, withdrawal and retirement in accordance with an Experience Study conducted in 2008. The annual pension costs for the Union Plans increased \$2.1 million while the cost for the SAM Plan decreased \$4.2 million. Additionally, a new agreement was ratified with the Transit Police Union on June 26, 2008, which included two changes in the plan provisions. These changes increased the annual pension cost for the Fiscal Year ending June 30, 2009 by \$122 thousand.



8. Other Postemployment BenefitsPlan Description

The Authority sponsors single-employer defined benefit plans that provide postemployment benefits other than pensions ("OPEB") for the following employee groups: Supervisory Administrative and Management employees (SAM), Transit Police (TP), Non-Railroad Union Groups, and Railroad Union Groups. The Authority does not issue financial reports for these plans.

The Authority provides postemployment medical, prescription drug and life insurance benefits to substantially all employees, which generally commence on the first day an employee retires. Health insurance benefits are generally provided for three years, except Health Maintenance Organization (HMO) plan coverage is provided for fifty months. There was a plan change adopted June 25, 2015 for SAM employees electing the HMO plan coverage and retiring on or after January 1, 2016 decreasing the duration of the medical benefits provided from 50 months to 36 months. The change decreased the actuarial accrued liability by approximately \$9.1 million and the annual required contribution of the employer by \$1.3 million. Prescription drug benefits are generally provided over the retiree's lifetime for SAM and Non-Railroad Union Groups, except for employees hired after November 2005 for whom coverage ends at age 65. Prescription drug benefits end at the earlier of three years or age 65 for Railroad Union Groups, and at age 65 for TP. In addition, the Authority provides life insurance coverage to substantially all retirees. Life insurance is provided in various amounts to a maximum of annual final salary for SAM which decreases annually to 20% after four years.

The Authority provides long-term disability insurance with benefit eligibility after one year of employment for SAM and TP. Disability benefits are not covered by the OPEB valuation since generally the benefits are fully insured and paid while an employee is actively employed. The union employees are eligible for disability benefits from their respective pension plans.

Benefits provisions for SAM employees are established and may be amended in accordance with recognized Authority policy. The bargaining union employees receive benefits based on the respective union agreements in effect at the time of retirement.

Funding Policy and Related Information

For SAM employees, contribution requirements are established and may be amended in accordance with recognized Authority policy. Contribution requirements for bargaining unit employees are based on the respective union agreements in effect at the time of retirement. Contributions are made by the Authority on a pay-as-you-go basis. The Authority's OPEB cost for each plan is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The Authority's OPEB cost and change in net OPEB obligation for Fiscal Year 2015 are as follows:

	<u>SAM</u>	<u>Transit Police</u>	<u>Non-Railroad Union Groups</u>	<u>Railroad Union Groups</u>	<u>Total</u>
Annual required contribution	\$ 34,709	\$ 2,002	\$ 93,555	\$ 10,093	\$ 140,359
Interest on net OPEB obligation	6,328	418	17,630	1,740	26,116
Adjustment to annual required contribution	(9,464)	(625)	(26,369)	(2,603)	(39,061)
Annual OPEB cost (expense)	31,573	1,795	84,816	9,230	127,414
Contributions made	14,131	135	27,483	2,487	44,236
Increase in net OPEB obligation	17,442	1,660	57,333	6,743	83,178
Net OPEB obligation, beginning of year	168,746	11,134	470,142	46,405	696,427
Net OPEB obligation, end of year	<u>\$ 186,188</u>	<u>\$ 12,794</u>	<u>\$ 527,475</u>	<u>\$ 53,148</u>	<u>\$ 779,605</u>

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for Fiscal Years 2015, 2014 and 2013 for each of the plans are as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
SAM	6/30/15	\$ 31,573	44.8%	\$ 186,188
SAM	6/30/14	\$ 31,826	39.0%	\$ 168,746
SAM	6/30/13	\$ 35,924	33.7%	\$ 149,332
Transit Police	6/30/15	1,795	7.5%	12,794
Transit Police	6/30/14	1,762	6.2%	11,134
Transit Police	6/30/13	1,757	4.7%	9,481
Non-Railroad Union Groups	6/30/15	84,816	32.4%	527,475
Non-Railroad Union Groups	6/30/14	82,089	29.8%	470,142
Non-Railroad Union Groups	6/30/13	91,325	26.5%	412,502
Railroad Union Groups	6/30/15	9,230	26.9%	53,148
Railroad Union Groups	6/30/14	8,922	22.8%	46,405
Railroad Union Groups	6/30/13	8,606	30.3%	39,519
Total	6/30/15	<u>\$ 127,414</u>	34.7%	<u>\$ 779,605</u>
Total	6/30/14	<u>\$ 124,599</u>	31.3%	<u>\$ 696,427</u>
Total	6/30/13	<u>\$ 137,612</u>	28.3%	<u>\$ 610,834</u>

## (AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

Projections of benefits are based on the substantive plan (the plan as understood by the Authority and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefits costs between the Authority and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities.

Significant methods and assumptions are as follows:

	<u>SAM</u>	<u>Transit Police</u>	<u>Non-Railroad Union Groups</u>	<u>Railroad Union Groups</u>
Actuarial valuation date	7/1/13	7/1/13	7/1/13	7/1/13
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open	Level dollar, open	Level dollar, open	Level dollar, open
Amortization period	30 years	30 years	30 years	30 years
Actuarial assumptions:				
Investment rate of return	3.75%	3.75%	3.75%	3.75%
Projected salary increases for life insurance	3.50%	-	-	-
Healthcare inflation rate	4.8%	4.8%	4.8%	4.8%
(Includes potential excise tax due to Healthcare Reform)	Initial 5.0%-9.2% Ultimate	Initial 5.0%-9.2% Ultimate	Initial 5.0%-9.2% Ultimate	Initial 5.0%-9.2% Ultimate

## Schedule of Funding Progress

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SAM	7/01/13	\$ -	\$ 404,766	\$ 404,766	0.0%	\$ 122,398	330.7%
SAM	7/01/11	\$ -	\$ 418,748	\$ 418,748	0.0%	\$ 117,759	355.6%
SAM	7/01/09	\$ -	\$ 417,244	\$ 417,244	0.0%	\$ 114,982	362.9%
Transit Police	7/01/13	-	15,888	15,888	0.0%	12,088	131.4%
Transit Police	7/01/11	-	13,767	13,767	0.0%	10,898	126.3%
Transit Police	7/01/09	-	13,191	13,191	0.0%	9,429	139.9%
Non-Railroad Union Groups	7/01/13	-	899,890	899,890	0.0%	300,582	299.4%
Non-Railroad Union Groups	7/01/11	-	921,352	921,352	0.0%	285,585	322.6%
Non-Railroad Union Groups	7/01/09	-	915,857	915,857	0.0%	280,424	326.6%
Railroad Union Groups	7/01/13	-	79,967	79,967	0.0%	74,428	107.4%
Railroad Union Groups	7/01/11	-	72,882	72,882	0.0%	72,151	101.0%
Railroad Union Groups	7/01/09	-	69,505	69,505	0.0%	69,415	100.1%
Total	7/01/13	\$ -	\$1,400,511	\$1,400,511	0.0%	\$ 509,496	274.9%
Total	7/01/11	\$ -	\$1,426,749	\$1,426,749	0.0%	\$ 486,393	293.3%
Total	7/01/09	\$ -	\$1,415,797	\$1,415,797	0.0%	\$ 474,250	298.5%

8. Other Postemployment Benefits (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents the actuarial value of plan assets, if any, for comparison to the actuarial accrued liability for benefits. The next scheduled valuation will be as of July 1, 2015.

9. Deferred Compensation

The Authority offers an employee savings/deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits employees to defer includible compensation, as defined in the Internal Revenue Code, in an amount generally not to exceed \$18.0 thousand annually on a pre-tax basis. Includible compensation comprises the contributions made by both the employee and employer. Effective January 1, 2000, the Authority began to provide SAM employees with a 10 percent matching contribution, subject to limitations, which amounted to \$375 thousand and \$350 thousand for Fiscal Years 2015 and 2014, respectively.

The Deferred Compensation Plan (DCP) Trust Agreement provides that all assets and income of the DCP are to be held in the DCP Trust for the exclusive benefit of participants and their beneficiaries and as a result are not recorded in the Authority's financial statements. The costs and expenses of administering the plan are borne by the participants.

10. Commitments and Contingencies

The Authority is involved in various legal matters arising from the normal course of operations. In management's opinion, the resolution of these legal matters will not have a material adverse effect on the Authority's financial position.

Derivative Instruments

To obtain budget certainty and control volatility in fuel prices, the Authority has entered into financial derivative agreements for its fuel purchases. The Authority has collateral posting requirements related to these instruments tied to its credit rating and dollar level of exposure to the counterparty. During the year ended June 30, 2015, the Authority was not required to post collateral for any fuel derivative agreements. At June 30, 2015, the fuel derivative instruments had a net negative market position of \$7.5 million. The Authority is also a counterparty in two swap agreements as noted in the swap section of Note 5. These swap agreements require the Authority to post collateral if the long-term unenhanced rating of the Authority's Bonds is withdrawn, suspended or falls below (1) Baa3 as determined by Moody's Investors Service ("Moody's"), (2) BBB- as determined by Standard & Poor's Ratings Service ("S&P") or (3) BBB- as determined by Fitch Ratings ("Fitch"). If the Authority failed to post the collateral when required, the counterparty may terminate the hedging derivative instrument. If the collateral posting requirement had been triggered at June 30, 2015, the maximum amount the Authority would have been required to post to its counterparties is \$10.5 million. Because the Authority's unenhanced debt obligations were rated "A1" by Moody's, "AA-" by S&P, and "AA" by Fitch at June 30, 2015, no collateral has been required or posted. The Authority's obligation to make payments under the swap agreements is limited to available money under the applicable indentures pursuant to Section 1310 of the Public Transportation Assistance Law. The payment obligation is not a general obligation of the Authority, and is not secured by any lien on other assets of the Authority.

11. Self-InsurancePublic Liability, Property Damage and Workers' Compensation Claims

The Authority is self-insured for claims arising from public liability and property damage. The Authority also maintains a self-funded insurance trust for excess amounts of \$5 million to \$20 million as of June 30, 2015. The Authority provides a liability for the self-insured portion based on the present value of the estimated ultimate cost of settling claims, discounted at 2.5%, using past experience adjusted for current trends as of June 30. The valuation incorporates the effects of the statutory limitation on damages (the liability cap). The annual public liability and property damage claims expense for Fiscal Year 2015 decreased \$41.3 million and the related liability decreased \$18.3 million. The expense decrease reflects lower claim payouts and a decrease in the number of outstanding claims and costs expected to settle those claims. The expense for pollution remediation activities at various SEPTA locations where underground storage tanks were previously removed and replaced was \$653 thousand and \$755 thousand for Fiscal Year 2014 and 2015, respectively. The Pennsylvania Department of Environmental Protection (PADEP) Act 2, "Underground Storage Tank Program", involves follow-up testing, site characterization and remediation action plans as mandated by PADEP. The liability was developed by the Authority's engineers specializing in environmental remediation which is similar to situations at other sites with which the Authority has experience. The estimate is subject to change due to price increases, changes in technology, or other factors. The Authority has also recognized within capital grants the expected reimbursement of such costs.

The Authority is self-insured for workers' compensation claims for its employees. The Authority provides a liability for the self-insured amount based on an actuarial valuation that uses the present value of the estimated ultimate cost of settling claims, discounted at 2.5%, utilizing a case-by-case review of all claims, adjusted for estimates of future adverse claims development, as of June 30. The Authority also maintains excess workers' compensation insurance coverage with an insurance carrier for employee claims, on a per accident basis, which exceeds a self-insured retention of \$5 million up to a \$10 million liability limit.

Total claims liabilities, including changes for Fiscal Years 2015 and 2014, are as follows:

	Public Liability and <u>Property Damage</u>	Worker's <u>Compensation</u>	<u>Totals</u>
Balance at June 30, 2013	\$ 177,502	\$ 47,426	\$ 224,928
Claims expense	53,029	12,098	65,127
Pollution remediation expense	653	-	653
Payment of claims	(35,189)	(17,544)	(52,733)
Payments for pollution remediation	(560)	-	(560)
Balance at June 30, 2014	195,435	41,980	237,415
Claims expense	11,742	12,828	24,570
Pollution remediation expense	755	-	755
Payment of claims	(30,090)	(19,011)	(49,101)
Payments for pollution remediation	(886)	-	(886)
Balance at June 30, 2015	\$ 176,956	\$ 35,797	\$ 212,753
Balance at June 30, 2015 due within one year	\$ 74,591	\$ 9,396	\$ 83,987

11. Self-Insurance (Continued)Employee Health Benefits

As of August 1, 2012, the Authority became self-insured in providing group medical coverage for most of its employees and certain retirees. A third-party administers the group medical coverage for the Authority. The Authority is liable for all claims up to \$500,000 per individual for any one plan year. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$500,000 per plan year. The liability for unpaid claims, if any, is estimated using the prior period history of actual claims paid.

The total medical claims liability, which is included within Accounts Payable-Trade in the Statements of Net Position, changed in Fiscal Year 2015 as follows:

	<u>Medical Liability</u>
Balance at June 30, 2013	\$ 18,969
Claims expense	118,035
Payment of claims	<u>(118,008)</u>
Balance at June 30, 2014	18,996
Claims expense	123,934
Payment of claims	<u>(121,748)</u>
Balance at June 30, 2015	<u>\$ 21,182</u>
Balance at June 30, 2015 due within one year	<u><u>\$ 21,182</u></u>

The Authority is also self-insured for prescription drug benefits through a third-party administrator for all employees and certain retirees. The annual prescription expense for Fiscal Year 2015 and 2014 was \$64.8 million and \$52.9 million, respectively. As of January 1, 2015, the Authority became self-insured in providing dental coverage for most employees. Two third-parties administer the group dental coverage for the Authority. The annual dental expense for Fiscal Year 2015 and 2014 was \$6.3 million and \$7.3 million, respectively.

12. Dependency on Governmental Funding

The Authority is particularly dependent on its external governmental funding sources keeping pace with additional future costs due to normal inflationary increases, infrastructure repairs, revenue fleet replacements, technological advances and changing regulatory requirements. Historically, funding sources coupled with cost reductions and passenger fare increases have been adequate. However, should the external funding sources, which comprise over half the Authority's operating budget and essentially all of its capital budget, not keep pace with future cost levels, the negative effect on future operations would be significant. Although the Authority had anticipated that the PTTF would provide for a reliable and growing source of funds to meet future budgetary needs, when Act 44 was enacted in 2007, this growth was not realized. In March 2010 the Pennsylvania Turnpike Commission was unable to obtain approval of the Federal Highway Administration to toll Interstate 80. As a result, PTTF funding for transportation in the Commonwealth was significantly impacted. With the reduction in PTTF funding, SEPTA's annual capital budget was cut by 25 percent, or \$110 million, beginning in Fiscal Year 2011 which continued into Fiscal Year 2014 with a total capital budget of \$308.0 million. In Fiscal Years 2015 and 2016, the capital budget was increased to \$571.8 million and \$534.5 million, respectively. The increase was due to the Pennsylvania General Assembly passage of transportation funding legislation, Act 89 of 2013, which was signed into law by the Governor in November 2013. Act 89 of 2013 provides a dedicated, long-term funding source for transportation in Pennsylvania that includes funding for public transportation as well as roads, bridges and multimodal transportation.

13. Net Position Restatement

In Fiscal Year 2015, the Authority adopted the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68." It was not practical to determine the Fiscal Year 2015 beginning balance amounts of all deferred inflows of resources and all deferred outflows of resources related to pensions, except for contributions made subsequent to the measurement date. The Authority recorded the cumulative effect of applying these statements as a restatement of beginning net position as of July 1, 2014 (the beginning of the current financial statement period). The effect on beginning balances for Fiscal Year 2015 is as follows:

<u>Description</u>	June 30, 2014 as Previously <u>Reported</u>	<u>Restatement</u>	July 1, 2014 <u>as Restated</u>
Deferred outflows of resources from pensions (GASB 71)	\$ -	\$ 88,943	\$ 88,943
Net pension liability (GASB 68)	-	(759,112)	(759,112)
Net position	\$ 2,323,462	\$ (670,169)	\$ 1,653,293

14. Subsequent Event

On November 24, 2015, the Authority entered into a Master Equipment Lease/Purchase Agreement (the "Agreement") with Banc of America Public Capital Corporation. The agreement contains two tranches of debt. The first tranche of debt is for a principal amount of \$4.2 million, due in varying amounts through June 1, 2026 with an annual contract rate of interest of 2.370%. The second tranche of debt is for a principal amount of \$14.0 million, due in varying amounts through June 1, 2033 with an annual contract interest rate of 3.168%. The equipment to be leased/purchased will include the installation of various energy conservation measures through a third party agreement which will serve to reduce the Authority's energy consumption and operating expenses. The measures to be taken include the installation of LED lighting upgrades to certain Authority owned buildings and railcars, garage door and window replacements, infrared heaters, HVAC building controls and other work to conserve energy.



**Required Supplementary Information:**

- Schedule of Changes in the Net Pension Liability and Related Ratios
- Schedule of Employer Pension Contributions – Last 10 Years

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
(AMOUNTS IN THOUSANDS OF DOLLARS)

2015

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
<b>Total pension liability</b>						
Service Cost	\$ 9,995	\$ 1,245	\$ 16,365	\$ 1,657	\$ 769	\$ 30,031
Interest	53,586	2,710	66,692	5,409	1,472	129,869
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Effect of economic/demographic gains or losses	(1,242)	(44)	(1,774)	241	(563)	(3,382)
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(35,153)	(379)	(50,412)	(3,845)	(53)	(89,842)
<b>Net change in total pension liability</b>	<u>27,186</u>	<u>3,532</u>	<u>30,871</u>	<u>3,462</u>	<u>1,625</u>	<u>66,676</u>
<b>Total pension liability - beginning</b>	<u>746,385</u>	<u>36,321</u>	<u>928,285</u>	<u>74,847</u>	<u>19,558</u>	<u>1,805,396</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 773,571</u></u>	<u><u>\$ 39,853</u></u>	<u><u>\$ 959,156</u></u>	<u><u>\$ 78,309</u></u>	<u><u>\$ 21,183</u></u>	<u><u>\$ 1,872,072</u></u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 35,353	\$ 1,389	\$ 47,588	\$ 3,805	\$ 809	\$ 88,944
Contributions - employee	1,076	557	9,431	948	391	12,403
Net investment income	70,296	4,268	74,777	6,157	2,552	158,050
Benefit payments, including refunds of employee contributions	(35,153)	(379)	(50,412)	(3,845)	(53)	(89,842)
Administrative expense	(100)	(7)	(132)	(11)	(3)	(253)
Other	576	-	(308)	(51)	(217)	-
<b>Net change in plan fiduciary position</b>	<u>72,048</u>	<u>5,828</u>	<u>80,944</u>	<u>7,003</u>	<u>3,479</u>	<u>169,302</u>
<b>Plan fiduciary net position - beginning</b>	<u>426,151</u>	<u>25,344</u>	<u>452,727</u>	<u>37,078</u>	<u>14,962</u>	<u>956,262</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 498,199</u></u>	<u><u>\$ 31,172</u></u>	<u><u>\$ 533,671</u></u>	<u><u>\$ 44,081</u></u>	<u><u>\$ 18,441</u></u>	<u><u>\$ 1,125,564</u></u>
<b>Authority's net pension liability - ending (a) - (b)</b>	<u><u>\$ 275,372</u></u>	<u><u>\$ 8,681</u></u>	<u><u>\$ 425,485</u></u>	<u><u>\$ 34,228</u></u>	<u><u>\$ 2,742</u></u>	<u><u>\$ 746,508</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	64.40%	78.22%	55.64%	56.29%	87.06%	
<b>Covered - employee payroll</b>	\$ 133,250	\$ 13,605	\$ 264,860	\$ 26,750	\$ 10,756	
<b>Authority net pension liability as a percentage of covered - employee payroll</b>	206.66%	63.81%	160.65%	127.96%	25.49%	

**Note to Schedule**

The Authority adopted GASB 68 on a prospective basis in Fiscal Year 2015; therefore only one year is present in the above schedule. The Authority's total pension liability was measured as of 6/30/14.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS - LAST 10 YEARS  
(AMOUNTS IN THOUSANDS OF DOLLARS)

<b><u>SAM</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Actuarially determined employer contributions	\$ 37,122	\$ 35,353	\$ 34,550	\$ 32,462	\$ 31,213	\$ 25,284	\$ 28,819	\$ 25,245	\$ 22,971	\$ 19,104
Contributions in relation to the actuarially determined employer contribution	37,122	35,353	34,550	32,462	31,213	25,284	28,819	25,245	22,971	19,104
Employer contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 136,146	\$ 133,250	\$ 130,846	\$ 128,215	\$ 124,931	\$ 122,325	\$ 118,656	\$ 118,832	\$ 116,268	\$ 115,571
Employer contributions as a percentage of covered - employee payroll	27.27%	26.53%	26.41%	25.32%	24.98%	20.67%	24.29%	21.24%	19.76%	16.53%
<b><u>TRANSIT POLICE</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Actuarially determined employer contributions	\$ 1,652	\$ 1,444	\$ 1,389	\$ 1,190	\$ 1,031	\$ 733	\$ 779	\$ 683	\$ 680	\$ 474
Contributions in relation to the actuarially determined employer contribution	1,652	1,388	1,389	1,190	1,031	733	779	683	680	474
Employer contributions deficiency (excess)	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 13,717	\$ 13,606	\$ 13,513	\$ 12,553	\$ 11,546	\$ 10,523	\$ 10,430	\$ 9,983	\$ 9,886	\$ 9,770
Employer contributions as a percentage of covered - employee payroll	12.04%	10.20%	10.28%	9.48%	8.93%	6.97%	7.47%	6.84%	6.88%	4.85%
<b><u>CITY TRANSIT</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Actuarially determined employer contributions	\$ 47,017	\$ 47,588	\$ 49,218	\$ 48,635	\$ 43,320	\$ 38,534	\$ 35,690	\$ 33,091	\$ 29,898	\$ 26,426
Contributions in relation to the actuarially determined employer contribution	47,017	47,588	49,218	48,635	43,320	38,534	35,690	33,091	29,898	26,426
Employer contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 273,009	\$ 264,860	\$ 256,667	\$ 251,418	\$ 248,484	\$ 242,762	\$ 232,168	\$ 260,569	\$ 247,744	\$ 247,031
Employer contributions as a percentage of covered - employee payroll	17.22%	17.97%	19.18%	19.34%	17.43%	15.87%	15.37%	12.70%	12.07%	10.70%

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS - LAST 10 YEARS (CONTINUED)  
(AMOUNTS IN THOUSANDS OF DOLLARS)

<b><u>SUBURBAN TRANSIT</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Actuarially determined employer contributions	\$ 3,860	\$ 3,805	\$ 3,953	\$ 3,811	\$ 3,319	\$ 2,908	\$ 2,620	\$ 2,429	\$ 2,135	\$ 1,844
Contributions in relation to the actuarially determined employer contribution	3,860	3,805	3,953	3,811	3,319	2,908	2,620	2,429	2,135	1,844
Employer contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 28,141	\$ 26,750	\$ 26,065	\$ 25,155	\$ 24,709	\$ 23,447	\$ 22,278	\$ 26,704	\$ 24,813	\$ 24,900
Employer contributions as a percentage of covered - employee payroll	13.72%	14.22%	15.17%	15.15%	13.43%	12.40%	11.76%	9.10%	8.60%	7.41%
<b><u>FRONTIER</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Actuarially determined employer contributions	\$ 779	\$ 809	\$ 921	\$ 911	\$ 709	\$ 586	\$ 556	\$ 493	\$ 411	\$ 309
Contributions in relation to the actuarially determined employer contribution	779	809	921	911	709	586	556	493	411	309
Employer contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 11,522	\$ 10,756	\$ 10,239	\$ 9,903	\$ 9,484	\$ 8,984	\$ 8,267	\$ 9,386	\$ 8,863	\$ 8,426
Employer contributions as a percentage of covered - employee payroll	6.76%	7.52%	9.00%	9.20%	7.48%	6.52%	6.73%	5.25%	4.64%	3.67%

**Notes to Schedule**

Valuation date: July 1, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	26 years
Asset valuation method	Market value less unrecognized gains/losses over a 5-year period
Inflation	2.75%
Salary increases	SAM - 3.50%
Investment rate of return	Transit Police, City Transit, Suburban Transit and Frontier - Salary scale rates vary by years of service for actuarial valuation purposes .5% plus inflation 7.25%, net of pension plan investment expense
Retirement age	SAM - Plan members that have attained age 62 with 5 years service or age 55 with 30 years of service Transit Police - Plan members that have attained age 50 with 25 years of service
Mortality	City Transit, Suburban Transit and Frontier - Plan members that have attained 62 with 5 years of service or 30 years of service with no age restriction Mortality rates for all plans were based on the RP-2000 Annuitant Tables for Males and Females with adjustments for mortality improvements based on Scale AA. The mortality rates for the Transit Police, City Transit, Suburban Transit and Frontier Plans include blue collar adjustments for Preretirement.

**Other Information**

Effective in 2014 the Entry Age Funding Normal Method was used to determine the actuarially determined calculated contribution. Prior to 2014, the Projected Unit Credit Method was used.

#### **Other Supplementary Information**

##### **Pension Trust Funds:**

- Statements of Plan Net Position
- Statements of Changes in Plan Net Position

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
STATEMENT OF PLAN NET POSITION  
(THOUSANDS OF DOLLARS)

as of June 30, 2015

	SAM <u>Plan</u>	Transit Police <u>Plan</u>	City Transit <u>Plan</u>	Suburban Transit <u>Plan</u>	Frontier <u>Plan</u>	<u>Total</u>
Assets:						
Receivables						
Plan member contributions	\$ 87	\$ 46	\$ 774	\$ 76	\$ 31	\$ 1,014
Interest and dividends	1,096	72	1,180	98	43	2,489
Sales pending settlement	14,085	923	15,166	1,252	548	31,974
Total receivables	<u>15,268</u>	<u>1,041</u>	<u>17,120</u>	<u>1,426</u>	<u>622</u>	<u>35,477</u>
Cash equivalents and Investments, at fair value						
Cash equivalents	19,487	1,274	20,981	1,733	759	44,234
U.S. Government obligations	25,150	1,645	27,078	2,236	980	57,089
Corporate and other government obligations	82,927	5,423	89,287	7,374	3,231	188,242
Preferred stocks	-	-	-	-	-	-
Common stocks	299,669	19,596	322,648	26,644	11,676	680,233
Private equity	60,306	3,943	64,930	5,362	2,350	136,891
Real estate	21,729	1,421	23,395	1,932	847	49,324
Total Investments	<u>509,268</u>	<u>33,302</u>	<u>548,319</u>	<u>45,281</u>	<u>19,843</u>	<u>1,156,013</u>
Total assets	524,536	34,343	565,439	46,707	20,465	1,191,490
Liabilities:						
Purchases pending settlement	<u>13,935</u>	<u>911</u>	<u>15,001</u>	<u>1,238</u>	<u>543</u>	<u>31,628</u>
Net position restricted for pensions	<u>\$ 510,601</u>	<u>\$ 33,432</u>	<u>\$ 550,438</u>	<u>\$ 45,469</u>	<u>\$ 19,922</u>	<u>\$ 1,159,862</u>

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
STATEMENT OF PLAN NET POSITION (CONTINUED)  
(THOUSANDS OF DOLLARS)

as of June 30, 2014

	SAM <u>Plan</u>	Transit Police <u>Plan</u>	City Transit <u>Plan</u>	Suburban Transit <u>Plan</u>	Frontier <u>Plan</u>	<u>Total</u>
Assets:						
Receivables						
Plan member contributions	\$ 81	\$ 47	\$ 750	\$ 74	\$ 31	\$ 983
Interest and dividends	1,114	70	1,191	99	41	2,515
Sales pending settlement	11,662	728	12,477	1,031	431	26,329
Total receivables	<u>12,857</u>	<u>845</u>	<u>14,418</u>	<u>1,204</u>	<u>503</u>	<u>29,827</u>
Cash equivalents and Investments, at fair value						
Cash equivalents	18,455	1,153	19,744	1,630	684	41,666
U.S. Government obligations	24,494	1,530	26,204	2,164	906	55,298
Corporate and other government obligations	76,491	4,780	81,836	6,758	2,826	172,691
Preferred stocks	498	31	532	44	18	1,123
Common stocks	288,425	18,022	308,579	25,480	10,659	651,165
Private equity	70,894	4,430	75,848	6,263	2,620	160,055
Real estate	18,504	1,156	19,796	1,635	684	41,775
Total Investments	<u>497,761</u>	<u>31,102</u>	<u>532,539</u>	<u>43,974</u>	<u>18,397</u>	<u>1,123,773</u>
Total assets	510,618	31,947	546,957	45,178	18,900	1,153,600
Liabilities:						
Purchases pending settlement	<u>12,419</u>	<u>775</u>	<u>13,286</u>	<u>1,097</u>	<u>459</u>	<u>28,036</u>
Net position restricted for pensions	<u>\$ 498,199</u>	<u>\$ 31,172</u>	<u>\$ 533,671</u>	<u>\$ 44,081</u>	<u>\$ 18,441</u>	<u>\$ 1,125,564</u>



SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
STATEMENT OF CHANGES IN PLAN NET POSITION  
(THOUSANDS OF DOLLARS)

	for the Year Ended June 30, 2015					
	<u>SAM</u>	<u>Transit</u>	<u>City</u>	<u>Suburban</u>	<u>Frontier</u>	<u>Total</u>
	<u>Plan</u>	<u>Police</u>	<u>Transit</u>	<u>Transit</u>	<u>Plan</u>	
Additions						
Contributions						
Employer (ADC)	\$ 37,122	\$ 1,708	\$ 47,017	\$ 3,860	\$ 779	\$ 90,486
Plan member	1,141	618	9,719	984	401	12,863
Other	-	-	304	17	17	338
Total contributions	<u>38,263</u>	<u>2,326</u>	<u>57,040</u>	<u>4,861</u>	<u>1,197</u>	<u>103,687</u>
Investment income (loss)						
Net realized gain	20,049	1,294	21,542	1,786	771	45,442
Net (decrease) in fair value of investments	(15,040)	(967)	(16,158)	(1,340)	(576)	(34,081)
Interest	3,704	237	3,976	330	141	8,388
Dividends	5,010	322	5,384	447	192	11,355
Total investment gain	<u>13,723</u>	<u>886</u>	<u>14,744</u>	<u>1,223</u>	<u>528</u>	<u>31,104</u>
Less investment expense	<u>1,594</u>	<u>102</u>	<u>1,710</u>	<u>142</u>	<u>61</u>	<u>3,609</u>
Net investment income	<u>12,129</u>	<u>784</u>	<u>13,034</u>	<u>1,081</u>	<u>467</u>	<u>27,495</u>
Total additions	50,392	3,110	70,074	5,942	1,664	131,182
Deductions						
Benefits	38,340	643	53,243	4,179	58	96,463
Asset transfer for transferred employees	(522)	196	(145)	356	115	-
Administrative expense	<u>172</u>	<u>11</u>	<u>209</u>	<u>19</u>	<u>10</u>	<u>421</u>
Total deductions	<u>37,990</u>	<u>850</u>	<u>53,307</u>	<u>4,554</u>	<u>183</u>	<u>96,884</u>
Net increase	12,402	2,260	16,767	1,388	1,481	34,298
Net position restricted for pensions						
Beginning of year	<u>498,199</u>	<u>31,172</u>	<u>533,671</u>	<u>44,081</u>	<u>18,441</u>	<u>1,125,564</u>
End of year	<u>\$ 510,601</u>	<u>\$ 33,432</u>	<u>\$ 550,438</u>	<u>\$ 45,469</u>	<u>\$ 19,922</u>	<u>\$ 1,159,862</u>

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY  
OTHER SUPPLEMENTARY INFORMATION  
PENSION PLAN TRUST FUNDS  
STATEMENT OF CHANGES IN PLAN NET POSITION (CONTINUED)  
(THOUSANDS OF DOLLARS)

	for the Year Ended June 30, 2014					
	<u>SAM Plan</u>	<u>Transit Police Plan</u>	<u>City Transit Plan</u>	<u>Suburban Transit Plan</u>	<u>Frontier Plan</u>	<u>Total</u>
Additions						
Contributions						
Employer	\$ 35,353	\$ 1,389	\$ 47,588	\$ 3,805	\$ 809	\$ 88,944
Plan member	1,076	557	9,431	948	391	12,403
Total contributions	<u>36,429</u>	<u>1,946</u>	<u>57,019</u>	<u>4,753</u>	<u>1,200</u>	<u>101,347</u>
Investment income (loss)						
Net realized gain	13,509	826	14,391	1,187	493	30,406
Net increase in fair value of investments	49,839	3,018	52,989	4,362	1,806	112,014
Interest	3,896	237	4,147	342	141	8,763
Dividends	4,636	282	4,935	406	169	10,428
Total investment gain	<u>71,880</u>	<u>4,363</u>	<u>76,462</u>	<u>6,297</u>	<u>2,609</u>	<u>161,611</u>
Less investment expense	<u>1,584</u>	<u>95</u>	<u>1,685</u>	<u>140</u>	<u>57</u>	<u>3,561</u>
Net investment income	<u>70,296</u>	<u>4,268</u>	<u>74,777</u>	<u>6,157</u>	<u>2,552</u>	<u>158,050</u>
Total additions	<u>106,725</u>	<u>6,214</u>	<u>131,796</u>	<u>10,910</u>	<u>3,752</u>	<u>259,397</u>
Deductions						
Benefits	35,153	379	50,412	3,845	53	89,842
Asset transfer for transferred employees	(576)	-	308	51	217	-
Administrative expense	<u>100</u>	<u>7</u>	<u>132</u>	<u>11</u>	<u>3</u>	<u>253</u>
Total deductions	<u>34,677</u>	<u>386</u>	<u>50,852</u>	<u>3,907</u>	<u>273</u>	<u>90,095</u>
Net increase	72,048	5,828	80,944	7,003	3,479	169,302
Net position restricted for pensions						
Beginning of year	<u>426,151</u>	<u>25,344</u>	<u>452,727</u>	<u>37,078</u>	<u>14,962</u>	<u>956,262</u>
End of year	<u>\$ 498,199</u>	<u>\$ 31,172</u>	<u>\$ 533,671</u>	<u>\$ 44,081</u>	<u>\$ 18,441</u>	<u>\$ 1,125,564</u>