SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

Financial Statements
June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
YEARS ENDED JUNE 30, 2022 AND 2021

CONTENTS

	Page
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 11
Financial Statements:	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14
Statements of Fiduciary Net Position	15
Statements of Changes in Fiduciary Net Position	16
Notes to Financial Statements	17 - 73
Required Supplementary Information:	74
Schedule of Changes in the Net Pension Liability and Related Ratios	75-79
Schedule of Employer Pension Contributions – Last 10 Years	80-81
Schedule of Pension Investment Returns – Last 10 Years	82
Schedule of Changes in the Net OPEB Liability and Related Ratios	83
Other Supplementary Information:	84
Pension Trust Funds:	
Statements of Plan Net Position	85 - 86
Statements of Changes in Plan Net Position	87 - 88

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Southeastern Pennsylvania Transportation Authority
Philadelphia, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of the SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY (the "AUTHORITY"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the AUTHORITY's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the AUTHORITY, as of June 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the AUTHORITY and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The AUTHORITY's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AUTHORITY's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AUTHORITY's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AUTHORITY's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Adoption of Governmental Accounting Standards Board Statements

As described in Note 1 to the financial statements, in 2022 the AUTHORITY adopted the provisions of Governmental Accounting Standards Board's Statement No. 87, "*Leases*". Our opinions are not modified with respect to this matter.

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, Schedule of Employer Pension Contributions – Last 10 Years, Schedule of Pension Fund Investment Returns – Last 10 Years, and Schedule of Changes in the Total OPEB Liability and Related Ratios on pages 4 through 11 and pages 75 through 83, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 85 through 88 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

ZELENKOFSKE AXELROD LLC

January 27, 2023
Harrisburg, Pennsylvania

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, 2022 and 2021. In Fiscal Year 2021, the Authority adopted GASB Statement No. 84, "*Fiduciary Activities".* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. In Fiscal Year 2022, the Authority adopted GASB Statement No. 87, "*Leases.*" This, Statement increases the usefulness of the Authority's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Fiscal Year 2021 financial statements are restated in the amount of $1.7 million to reflect implementation. See Note 14 for more detail.

We encourage readers to consider the information presented here in conjunction with the Authority's financial statements which immediately follows this section.

2022 FINANCIAL HIGHLIGHTS

Passenger revenues increased 51.5% from $150.2 million to $227.5 million primarily due to the lifting of the COVID-19 pandemic restrictions on the Authority's ridership which increased by 49.0%. The COVID-19 pandemic has negatively impacted passenger revenue and ridership over the last twenty-eight months, starting in March 2020, as employers transitioned to allowing employees to telework. Other operating revenue was also negatively impacted and decreased 5.0% from $48.2 million to $45.8 million primarily due to lower advertising and a one-time liquidated damages payment related to the construction of the combined heat and power (CHP) plant in Fiscal Year 2021, offset by higher state Shared Ride Program reimbursements, insurance recoveries, and route guarantees.

Operating expenses decreased 1.0% from $1,731.8 million to $1,715.0 million primarily due to lower fringe benefits, lease rentals, and utilities offset by higher labor wages, casualty and liability expenses, purchased transportation, services, fuel and lubricant costs, and other material and supplies, and depreciation expenses. The lower costs were realized due to a reduction in OPEB and pension costs offset by increased costs due to increase in service with the lifting of the pandemic restrictions.

Total government subsidies needed to support operations decreased 1.8% from $1,176.4 million to $1,154.7 million primarily to an increase in service with the lifting of the COVID-19 pandemic restrictions which increased passenger revenues combined with a slight decrease in operating expenses. On March 27, 2020, the U.S. Congress passed, and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provides emergency assistance and health care response for individuals, families and businesses affected by the COVID-19 pandemic. The Authority was awarded $644 million in CARES Act funding, a portion of which offset the significant passenger revenue shortfall resulting from lower ridership related to the COVID-19 pandemic. The CARES Act Grant was awarded by the Federal Transit Administration on June 3, 2020. Subsequently the U.S. Congress passed two more relief bills: the Coronavirus Response and Relief Supplemental Act (CRRSA) on December 27, 2020, and the American Rescue Plan Act (ARPA) on March 11, 2021. The Authority recognized $80.0 million in federal CARES Act, $116.3 million in CRRSAA, $113.5 million in ARPA in funding to help offset lower passenger revenues.

Total assets increased 1.0% from $5,547.5 million to $5,602.5 million primarily due to an increase in current assets. Total liabilities decreased 7.4% from $3,956.4 to $3,665.0 primarily due to a decrease in long-term debt of $48.7 million, net pension liabilities of $307.7 million and other postemployment benefits liabilities of $62.3 million. There was a decrease in deferred outflows from pensions of $23.9 million and an increase in deferred inflows from pensions of $204.4 million related to GASB Statement No. 68 and 71.

OVERVIEW OF THE FINANCIAL STATEMENTS

There was a decrease in deferred outflows from other postemployment benefits of $30.2 million and a decrease in deferred inflows of $3.9 million related to GASB Statement No. 75.

Total Net Position increased 5.8% from $1,604.1 million to $1,697.1 million due to capital grants and nonoperating revenues being greater than the net loss from operations.

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 additional information regarding 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, 2022, increased $93.0 million compared to June 30, 2021. At June 30, 2022, total assets increased $55.0 million or 1.0% to $5,602.5 million and total liabilities decreased $291.4 million or 7.4% to $3,665.0 million. At June 30, 2021, total assets had increased 3.7% and total liabilities had increased 14.0% compared to June 30, 2020.

Net Position
(thousands of dollars)

	2022	As of June 30, 2021 as restated	2020
Current assets	$ 789,490	$ 679,903	$ 578,360
Restricted funds	40,901	44,113	43,270
Lease receivable	48,355	50,802	-
Capital assets	4,721,195	4,769,816	4,722,860
Other assets	2,580	2,886	3,513
Total assets	5,602,521	5,547,520	5,348,003
Deferred outflows of resources	464,189	520,237	254,535
Total assets and deferred outflows	$ 6,066,710	$ 6,067,757	$ 5,602,538
Current liabilities	$ 1,033,142	$ 727,117	$ 656,480
Public liability, property damage and workers' compensation claims	125,612	129,901	124,625
Long-term debt	341,350	569,853	504,507
Long-term capitalized lease obligation	29,611	29,429	27,724
Net pension liability	690,542	998,240	895,200
Other postemployment benefits	1,431,020	1,493,341	1,256,735
Lease liability	10,133	5,216	-
Other liabilities	3,541	3,281	4,235
Total liabilities	3,664,951	3,956,378	3,469,506
Deferred inflows of resources	704,676	507,301	557,340
Net position:			
Net investment in capital assets	4,158,582	4,166,117	4,206,780
Restricted	5,075	5,587	5,661
Unrestricted (deficit)	(2,466,574)	(2,567,626)	(2,636,749)
Total net position	1,697,083	1,604,078	1,575,692
Total liabilities, deferred inflows and net position	$ 6,066,710	$ 6,067,757	$ 5,602,538

The $109.6 million increase in current assets includes increases in restricted funds of $85.6 million, unrestricted funds of $30.6 million, and prepaid expenses of $5.2 million offset by decreases in net receivables of $11.8 million, and with a negligible change in material & supplies. The restricted funds increase is primarily due to an increase in the Service Stabilization Fund. The net receivable decrease of $11.8 million is primarily due to receipt of federal and state capital grants in Fiscal Year 2022, offset by an increase in the subsidies receivables, and other receivables due to lower receivable amounts from third-party agents. The decrease in receivables in Fiscal 2021 was due to the delay in the receipt of federal and state grants. Material and supplies stayed at the same levels due to the termination of the third-part contract for Inventory Management which has led to consistent ordering and usage. In addition, supply chain issues and manufacturing issues have also affected inventory levels. Prepaid expenses were $5.2 million higher than the prior year primarily related to higher prepayments for information technology hardware maintenance contracts, insurance policies, and Amtrak Access Rights offset by a decrease in imprest funds.

The $101.6 million increase in current assets as of June 30, 2021, from the previous year was primarily due to increases in restricted funds, and prepaid expenses offset by decreases in unrestricted funds, net receivables, and in material & supplies.

The $3.2 million decrease in noncurrent restricted funds as of June 30, 2022, is primarily due to a $2.7 million market value decrease in the M-4 Lease Collateral Fund and the $0.5 million Workers Compensation Funds.

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 $52.5

million as of June 30, 2022, $55.1 million as of June 30, 2021, and $55.2 million as of June 30, 2020. The Authority used to maintain an unrestricted designated fund, derived from swaption proceeds received in March 2003, which was being amortized over the remaining life of the related outstanding bonds. The swaption fund balance was fully amortized as of June 30, 2022 and was $76 thousand as of June 30, 2021.

For Fiscal Year ending June 30, 2022, total capital assets increased $389.2 million, less $30.0 million of retirements, and accumulated depreciation increased $437.8 million, less $30.0 million of accumulated depreciation retirements, resulting in a net capital asset increase of $48.6 million. At June 30, 2021, net capital assets had increased $47.0 million over the prior year. Major expenditures during both Fiscal Years 2022 and 2021 were incurred for various transit and Regional Rail infrastructure improvements such as the SEPTA Key, new buses, locomotives, vehicle overhaul program, substations and stations, loops, and parking improvements.

The decrease in other assets of $0.3 million in Fiscal Year 2022 is due to the decreased amortization costs in connection with the Authority's outstanding debt. The $0.6 million decrease in Fiscal 2021 was due to the Authority's termination of the Authority's basis swap.

Total liabilities at June 30, 2022 decreased $291.4 million primarily due to decreases in the net pension liability of $307.7 million, in other postemployment benefit obligations of $62.3 million, and long-term debt of $48.7 million, offset by an increase in unearned revenue of $97.1 million, public liability, property damage, and workers compensation claims liability of $0.9 million, line of credit borrowings of $10.0 million, accounts payable of $9.9 million, accrued expenses of $4.1 million, lease liability of $4.9 million, and other liabilities of $260 thousand. The accounts payable increase is primarily related to higher liabilities for capital assets partially due to projects halted due to the pandemic. The long-term debt decrease was due to debt service payments of $40.8 million, and amortization of bond premium costs of $7.6 million, and the termination of the Authority's swap of $0.3 million with a fair value of $0.3 million on June 30, 2021. The unearned revenue increase is due to an increase in the Act 44 state and locally matched service stabilization restricted cash and investments balance which will be used to support the operations in Fiscal 2023. Accrued expenses increased $4.1 million, or 4.5%, partially due to payroll wages and taxes. The line of credit increase reflects a $70.0 million outstanding balance as compared to a balance of $60.0 million at Fiscal Year-end 2021. Additionally, there were increases in the public liability, property damage and workers' compensation claims liability of $0.9 million due in part to a slowdown in claim payouts resulting from the pandemic, and a decrease to other liabilities of $260 thousand. The other liability increase reflects the increase of restricted funds.

Total liabilities at June 30, 2021 increased $486.9 million primarily due to an increased recognition in other postemployment benefit obligations of $236.6 million, unearned revenue of $131.4 million, an increased net pension liability of $103.0 million, long-term debt of $72.3 million, public liability, property damage, and workers compensation claims liability of $11.4 million, lease liability $6.2 million, accrued expenses of $3.9 million, and capital lease obligation of $1.7 million, offset by a decrease in the line of credit borrowings of $75.0 million, accounts payable of $3.7 million, and other liabilities of $954 thousand.

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 decreased $101.1 million and $69.1 million in Fiscal Years 2022 and 2021, respectively, to a total deficit amount of $2,466.6 million at June 30, 2022. The Fiscal Year 2021 unrestricted net position deficit decrease reflects a decreased recognition of the accrued other postemployment benefit obligation decrease of $236.6 million, offset by a decrease of $103.0 million for net pension liability in Fiscal Year 2021. 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 worker's 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

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

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. The capital budget in Fiscal Years 2022 and 2023 was $618.9 million and $1,162.2 million, respectively. The increase in the Fiscal Year 2023 capital budget resulted from an increase in federal funding resulting from the November 2021 enactment of the Infrastructure Investment and Jobs Act (IIJA), also referred to as the Bipartisan Infrastructure Law (BIL), and the planned transition of Pennsylvania Act 89 Public Transportation funding sources from reliance on the Pennsylvania Turnpike Commission bonds to the state's Motor Vehicle Sales and Use Tax as of July 1, 2022. The infusion of federal capital assistance through Fiscal 2026, along with transition of state funding to a sustainable and bondable funding source allow the Authority to address its state of good repair backlog and service improvements. The Authority plans to leverage the motor vehicle sales tax revenues in order to increase the amount available to fund capital projects beginning in Fiscal Year 2023.

Changes in Net Position. Net position for the Fiscal Year ended June 30, 2022 increased $93.0 million to $1,697.1. The increase in net position as compared to Fiscal Years 2021 and 2020 is described below. For Fiscal Year 2022, total operating revenues increased 37.7% and total operating expenses decreased 1.0%. In Fiscal Year 2021, total operating revenues decreased 50.9% and total operating expenses had decreased slightly.

Changes in Net Position
(thousands of dollars)

	For the Years ended June 30,		
	2022	2021 as restated	2020
Operating revenues			
Passenger	$ 227,485	$ 150,234	$ 350,441
Other income	45,827	48,251	54,112
Total operating revenues	273,312	198,485	404,553
Operating expenses			
Operating expenses excluding depreciation and amortization	1,277,152	1,297,484	1,313,287
Depreciation and amortization	437,819	434,284	421,739
Total operating expenses	1,714,971	1,731,768	1,735,026
Loss from operations	(1,441,659)	(1,533,283)	(1,330,473)
Nonoperating revenues (expenses)			
Subsidies	1,154,743	1,176,429	996,105
Nonoperating expenses - net	(14,195)	(12,059)	(9,088)
Total nonoperating revenues (expenses)	1,140,548	1,164,370	987,017
Capital grant funding	394,116	397,299	479,513
Increase (decrease) in net position	93,005	28,386	136,057
Net position, beginning	1,604,078	1,575,692	1,439,635
Net position, ending as restated	$ 1,697,083	$ 1,604,078	$ 1,575,692

Passenger revenue increased 51.4%, in Fiscal Year 2022 due to the lifting of COVID-19 pandemic restrictions and decreased 57.2% in Fiscal Year 2021 primarily due to the impact of COVID-19 pandemic on ridership. Other income decreased 5.0% in Fiscal Year 2022 primarily due to lower advertising offset state by higher Shared Ride Program reimbursements.

Subsidies decreased 1.8% in Fiscal Year 2022 to meet the budgeted expense decrease, and the revenue increases from ridership recovery due to the easing of the pandemic restrictions. On March 27, 2020, the U.S. Congress passed, and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provides emergency assistance and health care response for individuals, families and businesses affected by the COVID-19 pandemic. The Authority was awarded $644 million in CARES Act funding, a portion of which offset the significant passenger revenue shortfall resulting from lower ridership related to the COVID-19 pandemic. The CARES Act Grant was awarded by the Federal Transit Administration on June 3, 2020. Subsequently the U.S. Congress passed two more relief bills: the Coronavirus Response and Relief Supplemental Act (CRRSA) on December 27, 2020, and the American Rescue Plan Act (ARPA) on March 11, 2021. The Authority recognized $80.0 million in CARES Act, $116.3 million in CRRSAA, $113.5 million in ARPA in funding in Fiscal 2022. In Fiscal 2021, subsidies increased $180.3, including $464.1 million in CARES Act funding, to meet ridership losses and budgeted expense increases.

Other non-operating expenses, which increased by $2.1 million in Fiscal Year 2022, include an interest expense decrease of $0.8 million and an investment income decrease of $2.9 million. The interest expense decrease is primarily related debt service payments. The investment income decrease in Fiscal Year 2022 was due to the unfavorable change in the market value of investments as compared to Fiscal Year 2021. In Fiscal Year 2021, other non-operating expenses increased $3.0 million, including higher interest on debt of $0.6 million and an investment decrease of $2.4 million related to an unfavorable market value change of investments.

Capital grant funding decreased $3.2 million in Fiscal Year 2022 partially due to a reduced budget and was comprised of decreases in state funding of $6.7 million and local funding of $3.4 million, partially offset by an increase in increase in federal funding of $6.9 million. Capital grant funding decreased $82.2 million in Fiscal Year 2021 primarily due to a decrease in federal and state funding, offset by an increase in local funding.

Operating Expenses
(thousands of dollars)

	For the Years ended June 30,		
	2022	2021 as restated	2020
Salaries and wages	$ 568,457	$ 549,759	$ 558,571
Fringe benefits	361,542	416,408	385,567
Services	111,094	92,341	85,011
Fuel & lubricants	24,593	21,511	26,239
Tires & tubes	2,662	2,574	2,406
Other material & supplies	61,127	51,669	58,040
Utilities	41,701	42,500	41,921
Casualty & liability	33,696	27,882	39,673
Taxes	1,102	1,246	1,384
Purchased transportation	36,815	33,163	44,453
Leases and rentals	29,616	51,809	65,215
Miscellaneous	4,747	6,622	4,807
Depreciation	437,819	434,284	421,739
Total operating expenses	$ 1,714,971	$ 1,731,768	$ 1,735,026

Salaries and wages increased $18.7 million, or 3.4%, in Fiscal Year 2022 primarily due to increase in service due to lifting of the COVID-19 restrictions. In Fiscal 2021 salaries and wages decreased 1.6% partially due to cuts in service due to the COVID-19 mitigation efforts, and vacancies caused by retirement. Fringe Benefit expenses decreased $54.9 million, or 13.2%, in Fiscal Year 2022, primarily due to a lower actuarial pension and other postemployment benefit costs. In Fiscal Year 2021, fringe benefits increased $30.8 million, or 8.0%, primarily due to higher actuarial pension and other postemployment benefits costs.

Services increased 20.3% in Fiscal Year 2022 primarily related to consulting, advertising, contract service, banking and software maintenance costs offset by lower legal, snow removal, ticket vending, and pollution remediation costs. The service expense increase in Fiscal Year 2021 was primarily related to higher legal costs, consulting, snow removal, contract service and software maintenance costs offset by higher ticket vending, and banking fees.

Fuel and lubricants increased 14.3% in Fiscal Year 2022 primarily due to higher consumption and the service increases caused by lifting of the COVID-19 pandemic restrictions. The expense decreased 18.0% in Fiscal 20201primarily due to lower consumption and the service cuts caused by the COVID-19 mitigation efforts.

Tires and tubes expenses increased 3.4% in Fiscal Years 2022 due to an increase in operating service and increased 7.0% in Fiscal 2021 related to a contractual CPI increase.

Other material and supplies 18.3% in Fiscal Year 2022 due to lower infrastructure and vehicle maintenance material costs, and decreased 11.0% in Fiscal 2020 due to lower infrastructure and vehicle maintenance material costs caused by service cuts by the COVID-19 mitigation efforts.

Utilities decreased 1.9% in Fiscal Year 2022, primarily due to lower propulsion power, electric, heating, water, and sewer costs offset by higher telephone costs. In Fiscal Year 2021, utilities increased 1.4%.

Casualty and liability expenses increased $5.8 million in Fiscal Year 2022 compared to Fiscal 2021, related to a decrease in claims filed due to cuts in service due to the COVID-19 mitigation efforts, offset by an increase in costs to settle cases. In Fiscal Year 2021 expenses decreased $11.8 million due to an increase in costs expected to settle claims.

Purchased transportation expenses increased 11.0% in Fiscal Year 2022 primarily due to higher demands for service with the easing of COVID-19 pandemic restrictions, and decreased 25.4% in Fiscal 2021 due to lower demand for services related to the pandemic.

Lease and rental expenses decreased 42.8% in Fiscal Year 2022 primarily due to a decrease in Amtrak lease costs offset by higher rental costs for leased service vehicles. In Fiscal 2021 lease and rental expenses decreased 20.6% due to reduced Amtrak lease costs and rental costs for leased service vehicles and revenue vehicles.

Miscellaneous expenses decreased $1.9 million in Fiscal Year 2022 primarily due to a lower funding of the M-4 lease collateral due to higher-than-expected returns to meet the future obligation and increased $1.8 million in Fiscal 2021 due to higher funding of the M-4 lease collateral.

Depreciation and amortization expenses increased 0.8% in Fiscal Year 2022 and 3.0% in Fiscal 2021, primarily due to the investment in capital assets in both fiscal years which was being impacted by the increase in available capital grant funds, and energy performance projects funded by energy savings contracts (ESCOs).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the Authority's investment in capital assets, which included revenue vehicles, transit facilities, track, roadway, and signals, was $12,185.3 million. Net of accumulated depreciation of $7,464.1 million, net capital assets totaled $4,721.2 million. This amount represents a net decrease, including additions and disposals net of depreciation, of $48.6 million, or 1.0% from June 30, 2021.

As of June 30, 2022, the Authority has commitments for various unexpended construction and design contracts of approximately $254 million and commitments for unexpended revenue vehicle purchases of approximately $303 million primarily for electric and hybrid buses, and multi-level rail cars. The Authority's capital budget for Fiscal Year 2023 includes capital asset additions in the amount of $799.9 million. A significant portion of the additions is scheduled for the normal replacement and overhaul of vehicles,

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

and various critical infrastructure improvement capital programs which includes maintenance shops and offices, passenger stations, New Payment (SEPTA Key) technology project, substation and power improvements, and other communications, signal systems and technology improvements.

Debt Administration. As of June 30, 2022, the Authority's long-term debt, including current maturities, was $529.6 million. This amount excludes $32.3 million in unamortized premiums (or $561.9 million in total). Long-term debt decreased $40.8 million due to regularly scheduled debt service payments.

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, Southeastern Pennsylvania Transportation Authority, 1234 Market Street, 9th Floor Philadelphia, PA 19107-3780.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021
(THOUSANDS OF DOLLARS)

ASSETS AND DEFERRED OUTFLOWS	2022	2021
CURRENT ASSETS		
Unrestricted funds (Note 2)		
Cash and cash equivalents	$ 66,084	$ 42,027
Investments	32,063	25,509
Restricted funds (Note 2)		
Cash and cash equivalents	326,725	210,076
Investments	90,413	121,499
Receivables		
Operating subsidies	11,467	9,563
Capital grants	105,084	134,090
Lease Receivable (Note 3)	3,808	3,157
Other	27,671	12,995
Material and supplies	96,862	96,834
Prepaid expenses	29,313	24,153
Total current assets	789,490	679,903
NONCURRENT ASSETS		
Restricted funds (Note 2)		
Cash and cash equivalents	11,814	25,402
Investments	29,087	18,711
Lease Receivable (Note 3)	48,355	50,802
Capital assets, net (Notes 4, 5 & 6)	4,721,195	4,769,816
Other	2,580	2,886
Total noncurrent assets	4,813,031	4,867,617
Total assets	5,602,521	5,547,520
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of hedging derivative (Note 5)	-	374
Deferred charge on refundings	3,077	4,686
Deferred outflow of resources from pensions (Note 7)	219,428	243,340
Deferred outflow of resources from post employment benefits (Note 8)	241,684	271,837
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 6,066,710	$ 6,067,757

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2022	2021
CURRENT LIABILITIES		
Current maturities of Long-term debt (Note 5)	$ 220,579	$ 40,784
Accounts payable - trade	120,541	110,682
Accrued expenses	94,089	90,006
Line of credit	70,000	60,000
Lease liability (Note 6)	998	950
Current portion of public liability, property damage and workers' compensation claims (Note 11)	66,740	61,584
Unearned revenue	460,195	363,111
Total current liabilities	1,033,142	727,117
NONCURRENT LIABILITIES		
Public liability, property damage and workers' compensation claims (Note 11)	125,612	129,901
Long-term debt (Note 5)	341,350	569,853
Long-term capitalized lease obligation (Note 6)	29,611	29,429
Net pension liability (Note 7)	690,542	998,240
Other postemployment benefits (Note 8)	1,431,020	1,493,341
Lease liability (Note 6)	10,133	5,216
Other liabilities (Note 6)	3,541	3,281
Total noncurrent liabilities	2,631,809	3,229,261
Total liabilities	3,664,951	3,956,378
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from pensions (Note 7)	239,453	35,040
Deferred inflows of resources from other post employment benefits (Note 8)	415,313	419,177
Deferred charge on refundings	789	1,003
Deferred inflows of resources from leases (Note 3)	49,121	52,081
Total liabilities and deferred inflows of resources	4,369,627	4,463,679
NET POSITION		
Net investment in capital assets	4,158,582	4,166,117
Restricted	5,075	5,587
Unrestricted (deficit)	(2,466,574)	(2,567,626)
Total net position	1,697,083	1,604,078
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 6,066,710	$ 6,067,757

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, 2022 AND 2021
(THOUSANDS OF DOLLARS)

	2022	2021
OPERATING REVENUE:		
Passenger Fare	$ 227,485	$ 150,234
Route Guarantees	5,918	5,220
State Shared Ride Program	6,183	4,756
Area Agency on Aging	205	58
Other contract revenue	90	-
Advertising	10,200	12,316
Miscellaneous income	23,231	25,901
Total revenue available from operations	273,312	198,485
OPERATING EXPENSES:		
Salaries and wages	568,457	549,759
Fringe benefits	361,542	416,408
Services	111,094	92,341
Fuel & lubricants	24,593	21,511
Tires & tubes	2,662	2,574
Other materials & supplies	61,127	51,669
Utilities	41,701	42,500
Casualty & liability	33,696	27,882
Taxes	1,102	1,246
Purchased transportation	36,815	33,163
Leases and rentals	29,616	51,809
Miscellaneous	4,747	6,622
Depreciation & amortization	437,819	434,284
Total operating expenses	1,714,971	1,731,768
Loss from operations	(1,441,659)	(1,533,283)
NON-OPERATING REVENUES/(EXPENSES):		
Capital funds used for operating assistance and planning grants:		
Federal government	23,130	7,865
Commonwealth of Pennsylvania	34,698	31,058
Local governments	1,184	1,063
Operating grants:		
Federal government - CARES	80,019	464,136
Federal government - CRRSAA	116,351	-
Federal government - ARPA	113,471	-
Commonwealth of Pennsylvania Act 44 Funds	683,383	584,615
Local Governments Act 44 Matching Funds	102,507	87,692
Total government subsidies for operations	1,154,743	1,176,429
Other Private/Public Sources		
Investment income (loss)	(1,251)	1,642
Gain/(Loss) on disposal of capital assets	-	-
Interest expense (Note 5)	(12,944)	(13,701)
Total nonoperating revenues (expenses)	1,140,548	1,164,370
Loss before capital grant funding	(301,111)	(368,913)
CAPITAL GRANT FUNDING:		
Federal	150,809	143,955
State	236,887	243,562
Local	6,420	9,782
Total capital grant funding	394,116	397,299
INCREASE (DECREASE) IN NET POSITION	93,005	28,386
Net position, beginning of year	1,604,078	1,575,692
Net position, ending, as restated (Note 14)	$ 1,697,083	$ 1,604,078

See accompanying notes to Financial Statements.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(THOUSANDS OF DOLLARS)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Passenger receipts	$ 225,139	$ 148,091
Other receipts	39,014	34,497
Payments for salaries, wages and fringe benefits	(1,043,982)	(988,937)
Payments for fuel, utilities and taxes	(67,235)	(65,934)
Payments for casualty and liability claims	(34,240)	(18,113)
Payments for other operating expenses	(244,041)	(229,656)
Net cash used in operating activities	(1,125,345)	(1,120,052)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipts of operating subsidies	1,241,821	1,329,834
Net cash provided by noncapital financing activities	1,241,821	1,329,834
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	423,604	410,587
Acquisition of operating property and construction in progress	(372,699)	(488,753)
Proceeds from issuance of debt and refunding debt	-	120,722
Proceeds from line of credit	70,000	60,000
Repayment of line of credit	(60,000)	(135,000)
Receipt or proceeds in long-term capitalized lease obligation	182	1,705
Repayment of long-term debt	(40,784)	(39,895)
Interest paid	(19,590)	(21,454)
Net cash (used in) provided by capital and related financing activities	713	(92,088)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	84,148	48,964
Receipt of interest	2,171	2,078
Purchase of investments	(76,390)	(56,160)
Net cash provided by (used in) investing activities	9,929	(5,118)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	127,118	112,576
CASH AND CASH EQUIVALENTS		
Beginning of year	277,505	164,929
End of year	$ 404,623	$ 277,505
CASH AND CASH EQUIVALENTS		
Unrestricted	$ 66,084	$ 42,027
Restricted	338,539	235,478
Total	$ 404,623	$ 277,505
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (1,441,659)	$ (1,533,283)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation & Amortization	437,819	434,284
Decrease (increase) in other receivables	(12,394)	1,043
Decrease (increase) in lease receivables	1,795	1,741
Decrease (increase) in lease liabilities	(1,151)	(936)
Decrease (increase) in materials & supplies	(28)	3,822
(Increase) decrease in prepaid expenses	(5,160)	(561)
Increase (decrease) in accounts payable - trade	3,820	6,760
(Decrease) increase in accrued expenses, uneraned revenue and other liabilities net of other assets	9,112	(11,158)
Increase (decrease) in net pensions liability and pension deferred inflows/outflows	(79,374)	180
Increase (decrease) in net lease inflows	(2,960)	(3,617)
Increase (decrease) in public liability and property damage claims	867	11,391
(Decrease) increase in other postemployment benefits and deferred inflows/outflows	(36,032)	(29,718)
Total adjustments	316,314	413,231
Net cash used in operating activities	$ (1,125,345)	$ (1,120,052)

See accompanying notes to Financial Statements.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
PENSION PLAN TRUST FUNDS
JUNE 30, 2022 AND 2021
(THOUSANDS OF DOLLARS)

	2022	2021
Assets:		
Receivables		
Plan member contributions	$ 1,797	$ 2,048
Employer contribution receivable	-	-
Interest and dividends	2,726	2,322
Sales pending settlement	10,439	12,054
Total receivables	14,962	16,424
Cash equivalents and Investments, at fair value		
Cash equivalents	58,108	56,623
Alternative	170,244	152,683
Corporate and other government obligations	319,629	370,007
Preferred stocks	147	167
Common stocks	903,914	1,082,419
Private equity	141,277	150,847
Real estate	86,143	85,507
Natural resources	4,218	3,651
Total Investments	1,683,680	1,901,904
Total assets	1,698,642	1,918,328
Liabilities:		
Purchases pending settlement	11,138	15,520
Net position restricted for pensions	$ 1,687,504	$ 1,902,808

See accompanying notes to Financial Statements.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
PENSION PLAN TRUST FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(THOUSANDS OF DOLLARS)

	2022	2021
Additions		
Contributions		
Employer (ADC)	$ 123,079	$ 112,927
Plan member	19,789	20,789
Other	-	-
Total contributions	142,868	133,716
Investment income (loss)		
Net realized gain	76,597	76,397
Net increase (decrease) in fair value of investments	(296,104)	300,863
Interest	10,880	9,497
Dividends	13,344	12,852
Total investment gain (loss)	(195,283)	399,609
Less investment expense	3,572	3,623
Net investment income (loss)	(198,855)	395,986
Total additions	(55,987)	529,702
Deductions		
Benefits	158,910	147,905
Administrative expense	407	879
Total deductions	159,317	148,784
Net increase (decrease)	(215,304)	380,918
Net position restricted for pensions		
Beginning of year	1,902,808	1,521,890
End of year	$ 1,687,504	$ 1,902,808

See accompanying notes to Financial Statements.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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 86 heavy rail, street car rail, trolley bus, and bus routes, as well as demand response services, providing approximately 269 thousand passenger trips per day. The Regional Rail Division serves all five counties with a network of 13 commuter rail lines, providing approximately 47 thousand passenger trips per day. The Suburban Operations Division serves the western and northern suburbs with a network of 48 heavy rail, street car rail, and bus routes, as well as demand response services, providing approximately 26 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 2022 and 2021 are summarized as follows:

	2022	2021
Federal subsidies:		
Leasehold/debt service reimbursements	23,130	7,865
Federal Emergency Grant - CARES Act	80,019	464,136
Federal Emergency Grant - CRRSAA	116,351	-
Federal Emergency Grant - ARPA	113,471	-
State and local subsidies:		
Act 44 operating subsidies	785,890	672,307
Act 44 leasehold/debt service reimbursements	35,882	32,121
Total subsidies	$ 1,154,743	$ 1,176,429

The Federal Transit Program, as codified in the United States law within Chapter 53 of Title 49 of the United States Code, provides the basis for federal funding that SEPTA receives. This Funding is in the form of formula and competitive grants from the U.S Department of Transportation's Federal Transit Administration (FTA).

On November 15,2021, the Infrastructure Investment and Jobs Act (IIJA), commonly referred to as the Bipartisan Infrastructure law (BIL), was signed into law. IIJA provides the federal transit programs more than $108 billion for public transit operators in Federal Fiscal Years 2022 through 2026. The formula programs provide predictable annual federal subsidies for reimbursement of bus and rail transit capital projects, preventive maintenance, debt service and certain capital lease expense.

On March 27, 2020, the $2.2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President in response to public health and economic impacts of the COVID-19 pandemic in the United States. The Federal Transit Administration was appropriated $25 billion of CARES Act funding to allocate to

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Nature of Authority (Continued)

recipients of urbanized and rural area formula funds. Beginning on January 20, 2020, CARES funds were eligible to be used for operating and capital expenses incurred by rural and urban recipients. Funding was provided at 100% federal share, with no local match required and is available to support capital, operating, and other eligible expenses to prevent, prepare for, and respond to COVID-19. SEPTA will utilize apportioned CARES Act funds in the amount oof $644 million for operating and capital expenses incurred in Fiscal Years 2020, 2021, 2022, and 2023.

On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law. CRRSAA provides more than $900 billion of federal funding nationwide in response to the COVID-19 pandemic. The public transportation provisions of CRRSAA provide $14 billion in emergency relief funds for transit operators to prevent, prepare for, and respond to the coronavirus. On January 11, 2021, the FTA released apportionments for the CRRSAA funding and SEPTA was allocated $252 million. SEPTA will utilize apportioned CRRSAA Act funds for operating and capital expenses incurred in Fiscal Years 2022 and 2023.

On March 11, 2021, the American Rescue Plan Act of 2021 (ARP) was signed into law. ARP provides $1.9 trillion to combat the COVID-19 pandemic, including public health and economic impacts. The public transportation provisions of ARP provide $30.5 billion in emergency relief funds for transit operators to prevent, prepare for, and respond to the coronavirus. SEPTA will utilize apportioned ARPA funds of $776 million for operating expenses incurred in Fiscal Years 2022, 2023, and 2024.

The three COVID-19 relief bills provide federal subsidy beyond funding levels established via the federal transit program.

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 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.

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 provides 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. The state also provides a subsidy for senior citizens under 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.

1. Summary of Significant Accounting Policies (Continued)

Accounting and Financial Reporting (Continued)

In Fiscal Year 2021, the Authority adopted GASB Statement. No. 84 “Fiduciary Activities.” This statement establishes criteria for identifying fiduciary activities and clarifies how these funds should be treated in the financial statements. As a result of adopting this statement, the Authority included the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position in its financial statements and included additional note disclosures related to the Authority’s pension plans.

In Fiscal Year 2022, the Authority adopted GASB 87 No. 87 “Leases.” This Statement increases the usefulness of the Authority’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Authority has lease arrangements in which it is a lessee and lessor. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Authority recognizing lease liabilities with a value of $5,000 and greater. Fiscal Year 2021 financial statements are restated to reflect implementation. See Note 3 and 6 for more detail.

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.

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.

1. Summary of Significant Accounting Policies (Continued)

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 four 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 four items, including deferred pension, OPEB gains, and leases which qualify for reporting in this category.

Pensions

The Authority maintains five trusteed, 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. In accordance with GASB No. 84 “Fiduciary Activities”, the Authority has determined the pension plans to be fiduciary component units of the Authority. The Pension Plans are included in the financial reporting entity as a fiduciary fund because the pension plans are (1) considered to be separate legal entities, (2) the Authority appoints a voting majority of the governing board, and (3) the pension plans impose a financial burden on the Authority as it is legally obligated to make contributions to the plans. 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 2018, the Authority adopted GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The impact of GASB Statement No. 75 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.

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.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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:

	2022	2021
Cash on hand	$ 912	$ 899
Cash in bank	36,662	33,509
Money market funds	389,676	262,381
Outstanding checks	(22,627)	(19,284)
Total cash and cash equivalents	404,623	277,505
Less current portion - unrestricted	66,084	42,027
Less current portion - restricted	326,725	210,076
Total noncurrent portion - restricted	$ 11,814	$ 25,402

The components of investments as of June 30 are:

	2022	2021
U.S. Government and agencies	$ 53,730	$ 28,038
Certificates of Deposit	-	250
Commercial paper	-	10,988
Mutual funds	97,833	126,443
Total investments	151,563	165,719
Less current portion - unrestricted	32,063	25,509
Less current portion - restricted	90,413	121,499
Total noncurrent portion - restricted	$ 29,087	$ 18,711

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fair Value Measurements

	6/30/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Government and agencies	$ 53,730	$ -	$ 53,730	$ -
Certificates of Deposit	-	-	-	-
Commercial paper - discounted	-	-	-	-
Mutual funds	97,833	97,833	-	-
Total debit securities	151,563	97,833	53,730	-
Investments by fair value level	$ 151,563	$ 97,833	$ 53,730	$ -
	6/30/2021			
Investments by fair value level				
Debt securities				
U.S. Government and agencies	$ 28,038	$ -	$ 28,038	$ -
Certificates of Deposit	250	-	250	-
Commercial paper - discounted	10,988	-	10,988	-
Mutual funds	126,443	126,443	-	-
Total debit securities	165,719	126,443	39,276	-
Investments by fair value level	$ 165,719	$ 126,443	$ 39,276	$ -

For fiscal years ending June 30, 2022 and 2021, SEPTA categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. U.S Government agencies, classified as Level 2, were valued using a matrix pricing technique. Certificates of deposit and commercial paper also classified as Level 2 were valued using quoted market prices of similar assets. Mutual funds, classified as Level 1, were valued using quoted prices for identical assets in an active market in Fiscal Year 2022 and 2021.

For fiscal years ending June 30, 2022 and 2021, SEPTA categorizes its money market funds classified as cash and cash equivalents in the Statements of Net Position as Level 2 using quoted market prices of similar assets.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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:

	2022	2021
Restricted:		
State dedicated funding provided by Act 44, including local match	$ 385,728	$ 286,973
State Funding provided for Sub-recipients	682	570
State Senior Citizen, Free Transit Funding Provided for Sub-recipients	2	3
Debt Service Funds:		
Capital Grant Receipts Bonds, Series of 2011	8,080	8,047
Capital Grant Receipts Bonds, Series of 2020	9	3
Revenue Refunding Bonds, Series of 2017	20,546	13,994
Revenue Refunding Bonds, Series of 2019	5,521	4,105
Special Revenue Bonds, Series of 2007	-	20,733
Capital Project Funds:		
Market-Frankford Elevated Haunch Repair Fund	3,105	3,102
Lease/leaseback guaranteed investment contract to be used for payment of long-term lease obligation	26,708	29,428
US Marshall Service	197	42
Pennsylvania Unified Certification Program	239	62
ESCO#2 Leasing Escrow	561	1,459
ESCO#4 Leasing Escrow	1,586	1,586
Security deposits and other	5,075	5,581
Total	$ 458,039	$ 375,688

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

As of June 30, 2022, allowable investments of the Authority were specified by Act 3 of 1994 (“Act 3”) and Act 10 of 2016 (“Act 10”). 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 Act 10, and mutual funds which invest in the foregoing items. Act 3 and/or Act 10 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, 2022, the Authority’s investments in money market funds, mutual funds and bonds of U.S. agencies were rated Aaa by Moody’s Investor Service. The Authority’s general investment policy is to apply the prudent-person rule while adhering to the investment restrictions as prescribed in Act 3 and Act 10, 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 Goldman Sachs Financial Square Government Fund. These cash equivalents and investments are 75.42% 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, 2022, $36,412 of the Authority’s cash in the bank of $36,662 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, 2022, $487,510 of the Authority’s cash equivalent and investment balance of $541,239 was exposed to custodial credit risk as follows:

Money market funds	$ 389,676
Mutual funds	97,833
Total	$ 487,509

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.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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, 2022, the Authority had the following investments in its portfolio:

Investment type:	Fair Value	Effective Duration
U.S. Government and agencies	$ 53,730	0.464
Money market funds	389,676	0.002
Mutual funds	97,833	0.002
	541,239	
Cash in bank	36,662	
Total fair value including accrued interest	$ 577,901	
Portfolio effective duration		0.47

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 one year, and its entire invested portfolio to less than three years. The Authority's entire invested portfolio at fiscal year-end was $577.9 million with an effective duration of 0.47 years.

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

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fiduciary Activities – Pension Plan Master Trust

The Master Trust (the "Plan") consists of five defined benefit pension plans established to provide retirement benefits to participants in accordance with the benefit structure adopted by the Southeastern Pennsylvania Transportation Authority ("SEPTA"). SEPTA's five retirement benefit plans are the Retirement Plan for Supervisory, Administrative and Management Employees, Retirement Plan for Transit Police, Pension Plan for Certain Bargaining Employees City Transit Division, Pension Plan for Certain Bargaining Employees Red Arrow Division, and Pension Plan for Certain Bargaining Employees Frontier Division. The investments of the Plan will be made for the exclusive benefit of the Plan participants and beneficiaries. Assets of the Plan shall be invested to ensure growth that is adequate to meet both the annual payment obligations and long-term benefits for all retirees. The Plan's assets should be invested in a manner that both preserves and enhances principal over the long term, both in real and nominal terms.

Achieving the Plan's actuarial assumption rate of 6.5% is SEPTA's primary investment goal. This is the total return projected to provide a high probability of achieving SEPTA's long-term investment objectives within acceptable risk levels. The Committee has adopted the asset allocation policy outlined below:

Asset Class	Target Allocation (%)	Exposure Range (%)	Policy Benchmark
Equities	**55**	**45-65%**	
Domestic Large Cap	25	15-35%	S&P 500
Domestic Small-Mid Cap	12	6-18%	Russell 2500
International	18	13-23%	MSCI ACWI ex U.S.
Safe Haven Fixed Income	**13**	**8-18%**	
Domestic Core/Core-Plus	11	6-16%	Barclay's Capital U.S. Aggregate
Cash	2	0-5%	91 Day T-Bills
Return-Seeking Fixed Income	**10**	**5-15%**	
Domestic High-Yield	4	2-7%	Barclay's U.S. High Yield
Bank Loans	3	0-6%	Credit Suisse Leveraged Loan Index
Emerging Market Debt	3	0-6%	JPM EMBI Global Diversified Index
Private Credit	**2**	**0-4%**	HFRI Event Driven: Distressed Restructuring Index
Real Assets	**10**	**5-15%**	
Private Real Assets	3	2-8%	Consumer Price Index +3%
Real Estate	7	2-8%	NCREIF ODCE (Net) Index
Alternatives	**10**	**5-15%**	
Private Equity	5	2-8%	Wilshire 5000 +3%
Hedge Funds	5	2-8%	HFRI Composite FOF

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fiduciary Activities – Pension Plan Master Trust (Continued)

The investments in the SEPTA Pension Master Trust are reported at fair value.

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

	2022	2021
Cash Equivalents	$ 58,108	$ 56,623
Total Cash equivalents	$ 58,108	$ 56,623

The components of investments as of June 30 are:

	2022	2021
Alternative investments	$ 170,244	$ 152,683
Common Stock	903,914	1,082,419
Private equity	141,277	150,847
Convertible securities	236	67
Fixed Income securities	319,393	369,940
Preferred securities	147	167
Real estate	86,143	85,507
Natural resources	4,218	3,651
Total investments	$ 1,625,572	$ 1,845,281

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fiduciary Activities – Pension Plan Master Trust (Continued)

	6/30/2022	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Investments by fair value level				
Equity securities				
Alternative investments	$ 170,244	$ -	$ -	$ 170,244
Convertible or exchangeable securities	236	236	-	-
Common stock	903,914	702,511	4,678	196,725
Fixed income securities	319,393	151,912	167,481	-
Natural resources	4,218	-	-	4,218
Preferred securities	147	-	147	-
Private equity	141,277	-	-	141,277
Real estate	86,143	-	-	86,143
Investments by fair value level	$ 1,625,572	$ 854,659	$ 172,306	$ 598,607

	6/30/2021			
Investments by fair value level				
Equity securities				
Alternative investments	$ 152,683	$ -	$ -	$ 152,683
Convertible or exchangeable securities	67	-	67	-
Common stock	1,082,419	846,523	-	235,896
Fixed income securities	369,940	175,340	189,412	5,188
Natural resources	3,651	-	-	3,651
Preferred securities	167	-	167	-
Private equity	150,847	-	-	150,847
Real estate	85,507	-	-	85,507
Investments by fair value level	$ 1,845,281	$ 1,021,863	$ 189,646	$ 633,772

For fiscal years ending June 30, 2022 and 2021, SEPTA categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Common stock, convertible or exchangeable securities, and fixed income securities, classified as Level 1, were valued using prices quoted in active markets issued by pricing vendors for these securities. Convertible or exchange securities, preferred securities, common stock, and fixed income securities, classified as Level 2, were valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Alternative investments, common stock, fixed income securities, natural resources, private equity, and real estate classified as Level 3 were valued using the fair value hierarchy of securities whose stated market price is unobservable by the marketplace. Many of these securities are priced by the issuers or industry groups for these securities.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fiduciary Activities – Pension Plan Master Trust (Continued)

Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Fiduciary's custodian bank.

For fiscal years ending June 30, 2022 and 2021, SEPTA categorizes its money market funds classified as cash and cash equivalents in the Statements of fiduciary Net Position as Level 2 using quoted market prices of similar assets.

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 investment or collateral securities that are in the possession of an outside party. None of the pension plan's investments at June 30, 2022 and 2021 were exposed to custodial credit risk. The pension plans do not have a policy to limit its exposure to custodial credit risk.

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. Through the pension plan's investment policy, the Pension Plans manage its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its fixed income investments to not exceed 120% of their assigned policy benchmark's effective duration. The Pension Plan's fixed income securities portfolio of $319,629 million had an effective duration of 4.02 years as of June 30, 2022.

Credit risk. Below investment grade securities shall be permitted but must not make more that 5% of the Core & Core Plus Fixed Income Portfolio. The minimum overall average quality of the U.S. high yield and Emerging Market Debt portfolio shall be a "BB" rating or equivalent unless otherwise approved by the Committee. The following is the credit rating for the pension plan's fixed income securities as of June 30, 2022:

Fixed income securities	$	70,461	AAA
Fixed income securities		13,002	AA
Fixed income securities		23,797	AA
Fixed income securities		53,076	BBB
Fixed income securities		33,375	BB
Fixed income securities		22,432	B
Fixed income securities		6,157	CCC
Fixed income securities		171	CC
Fixed income securities		369	C
Fixed income and convertible securities		96,789	Not Rated
Total Fixed Income Securities	$	319,629	

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

2. Cash, Cash Equivalents and Investments (Continued)

Fiduciary Activities – Pension Plan Master Trust (Continued)

Concentration of Credit Risk. Pension Plan's investment policy states that equity and international equity holdings in any one company, except mutual funds or commingled funds, should not exceed 10% of the market value of the portfolio without the consent of the Committee. The policy also states that no more than 5% of the Core & Core Fixed Income portfolio will be held in securities of any one issuer, excluding securities issued or guaranteed by the U.S. Government, U.S. Government Agencies, and/or U.S. Government Sponsored Enterprises. No more than 10% of the U.S. High Yield, Private Credit Specialist, Bank Loan, or the Emerging Market Debt portfolio will be held in securities of any one issuer, excluding securities issued or guaranteed by the U.S. Government, U.S. Government Agencies, and/or U.S. Government Sponsored Enterprises. No more than 5% of the Pension Plan investments are invested in any one single issuer.

Foreign Currency Risk. The Pension Plan's exposure to foreign currency risk is as follows:

Fixed income securities	Brazil Real	$ 1,976
Fixed income securities	Chilean PESO	316
Fixed income securities	Columbian PESO	441
Fixed income securities	Czech Koruna	489
Fixed income securities	Euro Currency Unit	324
Fixed income securities	Indonesian Ruphiah	1,380
Fixed income securities	Malyasian Ringgit	432
Fixed income securities	Mexican Peso	2,596
Fixed income securities	Peruvian Sol	271
Fixed income securities	Polish Zloty	611
Fixed income securities	Romanian Leu	309
Fixed income securities	South African Rand	1,897
Fixed income securities	Thailand Baht	892
		$ 11,934

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

3. Lease Receivable

The Authority has lease arrangements with outside entities for the right to use office and retail space, fiber optic, and fuel pipelines on the Authority's property. The Authority has various leases agreements for offices and retail space with start and ending dates from July 1, 2020, through July 1, 2040, with principal and interest payments ranging from $.038 to $1.7 million per year. The Authority leases space for fuel pipelines with start and end dates from July 1, 2020, through June 30, 2044, with principal and interest payments ranging from $ .006 to $ .060 million per year. The Authority has various fiber optic leases with dates ranging from July 1, 2020, through June 30, 2040, with principal and interest payments ranging from $ .021 to $ .359 million per year. The Authority adopted GASB 87 in Fiscal Year 2022, and restated Fiscal Year 2021 for comparative purposes. At the commencement of lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The effect on lease revenue and interest income is:

Year	Lease Revenue	Interest Income	Total
2021	$ 3,523.00	$ 1,783.00	$ 5,306.00
2022	4,974.00	1,777.00	6,751.00
Total	$ 8,497.00	$ 3,560.00	$ 12,057.00

As of June 30, 2022, the present value of the Authority's lease payments amounted to $52,163. The Authority has a deferred inflow of resources associated with the lease payments that will be recognized over the lease terms. As of June 30, 2022, the balance of the deferred inflow of resources was $49,121.

The future principal and interest lease payments as of June 30, 2022, were as follows:

Year	Principal	Interest	Total
2023	$ 3,808	$ 1,670	$ 5,478
2024	3,886	1,543	5,429
2025	3,854	1,417	5,271
2026	3,691	1,286	4,977
2027	3,649	1,151	4,800
2028-2032	20,217	3,705	23,922
2033-2037	7,620	1,469	9,089
2038-2042	4,954	348	5,302
2043-2044	484	189	673
Total	$ 52,163	$ 12,778	$ 64,941

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

4. Capital Assets

Capital assets are summarized as follows:

	June 30, 2021 as restated	Additions	Reclassifications	Retirements	June 30, 2022
Capital Assets					
Revenue vehicles	$ 3,377,939	$ 99,035	$ 13,063	$ 16,648	$ 3,473,389
Transit facilities, rail, stations & depots	3,838,752	87,938	6,211	-	3,932,901
Leased Transit Facilities	7,101	6,118	-	-	13,219
Track, roadway & signals	3,174,549	91,931	4,004	-	3,270,484
Intangibles	34,984	-	-	-	34,984
Other	818,168	24,530	42,990	13,363	872,325
Total	11,251,493	309,552	66,268	30,011	11,597,302
Construction in progress	574,604	79,646	(66,268)	-	587,982
Total	11,826,097	389,198	-	30,011	12,185,284
Accumulated depreciation and Amortization					
Property and equipment	7,055,214	436,444	-	30,011	7,461,647
Leased Transit Facilities	1,067	1,375	-	-	2,442
Total	7,056,281	437,819	-	30,011	7,464,089
Capital assets, net	$ 4,769,816	$ (48,621)	$ -	$ -	$ 4,721,195

	June 30, 2020	Additions	Reclassifications	Retirements	June 30, 2021 as restated
Capital Assets					
Revenue vehicles	$ 3,277,261	$ 135,798	$ 2,388	$ 37,508	$ 3,377,939
Transit facilities, rail, stations & depots	3,767,421	62,487	8,844	-	3,838,752
Leased Transit Facilities	-	7,101	-	-	7,101
Track, roadway & signals	3,079,253	88,588	6,708	-	3,174,549
Intangibles	34,984	-	-	-	34,984
Other	781,730	62,250	1,579	27,391	818,168
Total	10,940,649	356,224	19,519	64,899	11,251,493
Construction in progress	469,107	125,016	(19,519)	-	574,604
Total	11,409,756	481,240	-	64,899	11,826,097
Accumulated depreciation and Amortization					
Property and equipment	6,686,896	433,217	-	64,899	7,055,214
Leased Transit Facilities	-	1,067	-	-	1,067
Total	6,686,896	434,284	-	64,899	7,056,281
Capital assets, net	$ 4,722,860	$ 46,956	$ -	$ -	$ 4,769,816

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, 2022, construction in process principally consists of infrastructure improvements and revenue vehicles which will be primarily funded by capital grants.

As of June 30, 2022, the Authority has commitments for various unexpended construction contracts of approximately $254 million and commitments for unexpended revenue vehicle purchases for regional rail cars and buses of approximately $303 million.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps

Long-term debt as of June 30, 2022 and 2021 consists of the following:

Business-Type Activities:	June 30, 2021	Additions	Market Value Change	Payments/ Reductions	June 30, 2022	Due Within One Year
General Obligation Bonds						
Variable Rate Revenue Refunding Bonds, Series of 2007, interest based on 67% of 1-month LIBOR plus 1.05% through 2022	$ 12,100	$ -	$ -	$ 12,100	$ -	$ -
Capital Grants Receipts Bonds, Series 2020, due from June 1, 2021 to June 1, 2032, with annual interest rate of 5%	91,210	-	-	6,420	84,790	6,740
Revenue Refunding Bonds, Series of 2017, due from 2017 to 2028, with annual interest rate of 5%	53,585	-	-	6,700	46,885	7,030
Revenue Refunding Bonds, Series of 2019, due from 2020 to 2028, with annual interest rate from 3% to 5%	15,775	-	-	2,005	13,770	2,085
Capital Grants Receipts Refunding Bonds, Series 2017, due from 2017 to 2029, with annual interest rate of 5%	99,970	-	-	10,465	89,505	10,990
Subtotal	272,640	-	-	37,690	234,950	26,845
Unamortized bond premium, net of discount	19,229	-	-	4,366	14,863	-
Unamortized bond premium, CGR 2020	20,646	-	-	3,184	17,462	
Swap, Series of 2007	374	-	-	374	-	-
Total bonds payable	312,889	-	-	45,614	267,275	26,845
Notes from direct borrowings						
EB-5 Loan, due July 1, 2022 to March 11, 2024 @ 2%	239,500	-	-	-	239,500	190,000
Energy Saving Company (ESCO) "A" due 2017 to 2033 @ 3.168%	10,385	-	-	800	9,585	832
Energy Saving Company (ESCO) "B" due 2017 to 2026 @ 2.37%	2,245	-	-	423	1,822	435
Energy Saving Company (ESCO) #2 due 2018 to 2034 @ 2.83%	33,155	-	-	1,317	31,838	1,888
Energy Saving Company (ESCO) #4 due from July 2019 to February 2037 @ 2.969%	12,463	-	-	554	11,909	579
Business-type activities long-term obligations	$ 610,637	$ -	$ -	$ 48,708	$ 561,929	$ 220,579

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps (Continued)

Business-Type Activities:	June 30, 2020	Additions	Market Value Change	Payments/ Reductions	June 30, 2021	Due Within One Year
General Obligation Bonds						
Variable Rate Revenue Refunding Bonds, Series of 2007,						
interest based on 67% of 1-month LIBOR plus 1.05% through 2022	$ 23,625	$ -	$ -	$ 11,525	$ 12,100	$ 12,100
Capital Grants Receipts Bonds, Series 2020,						
due from June 1, 2021 to June 1, 2032, with annual interest rate of 5%	-	97,230	-	6,020	91,210	6,420
Capital Grants Receipts Bonds, Series 2011, due in varying						
amounts through 2029, annual interest rates of 3.125% to 5%	11,070		-	11,070	-	-
Revenue Refunding Bonds, Series of 2017,		-				
due from 2017 to 2028, with annual interest rate of 5%	59,965		-	6,380	53,585	6,700
Revenue Refunding Bonds, Series of 2019,		-				
due from 2020 to 2028, with annual interest rate from 3% to 5%	17,720		-	1,945	15,775	2,005
Capital Grants Receipts Refunding Bonds, Series 2017,		-				
due from 2017 to 2029, with annual interest rate of 5%	99,970		-	-	99,970	10,465
Subtotal	212,350	-	-	36,940	272,640	37,690
Unamortized bond premium, net of discount	24,062	97,230	-	4,833	19,229	-
Unamortized bond premium, CGR 2020	-	23,492	-	2,846	20,646	-
Swap, Series of 2007	1,266	-	(892)	-	374	-
Total bonds payable	237,678	120,722	(892)	44,619	312,889	37,690
Notes from direct borrowings						
EB-5 Loan, due July 1, 2022 to March 11, 2024 @ 2%	239,500	-	-	-	239,500	-
Energy Saving Company (ESCO) "A" due 2017 to 2033 @ 3.168%	11,163	-	-	778	10,385	800
Energy Saving Company (ESCO) "B" due 2017 to 2026 @ 2.37%	2,666	-	-	421	2,245	423
Energy Saving Company (ESCO) #2 due 2018 to 2034 @ 2.83%	34,572	-	-	1,417	33,155	1,317
Energy Saving Company (ESCO) #4 due from July 2019 to February 2037 @ 2.969%	12,802	-	-	339	12,463	554
Business-type activities long-term obligations	$ 538,381	$ 120,722	$ (892)	$ 47,574	$ 610,637	$ 40,784

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, 2022, 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

5. Long-Term Debt and Swaps (Continued)

Long-Term Debt: (Continued)

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 3.7% 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.

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 is 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. On March 1, 2022, the bonds were fully repaid and therefore there is no outstanding balance as of June 30,2022.

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. The bonds ended in fiscal year 2021.

Advanced Refundings:

On October 11, 2017, the Authority issued Revenue Refunding Bonds, Series 2017 (“2017 Bonds”), in the amount of $59.97 million. The principal on these bonds is payable in annual installments ranging from $6.38 million in 2021 to $8.02 million in 2028. Interest on the outstanding principal shall be due semi-annually on March 1 and September 1 of each year, beginning March 1, 2018. The bonds were issued at a premium of $11.91 million and have yields ranging between 1.25% and 2.3% and bear a 5% interest rate. The proceeds from the sale of the 2017 Bonds in the amount of $71.88 million were used to (a) advance refund a portion of the Authority’s Revenue Refunding Bonds, Series of 2010 (“Refunded 2010 Bonds”) in the aggregate principal amount of $65.84 million, and (b) fund certain costs and expenses incurred by the Authority in connection with the issuance and sale of the 2017 Bonds. Concurrently with the issuance of the 2017 Bonds, a portion of the proceeds along with other available moneys of the Authority, were irrevocably deposited into an escrow account pursuant to the terms of an Escrow Agreement and invested in Government Obligations, the maturing principal of and interest on which will be sufficient to pay the interest and principal on the Refunded 2010 Bonds as such payments become due. Upon the deposit of the funds for the advance refunding of the Refunded 2010 Bonds pursuant to the terms of the Escrow Agreement, the Refunded 2010 Bonds were deemed to no longer be outstanding under the Indenture. The bonds decreased debt service by $7.93 million and resulted in an economic gain of $7.02 million. The principal balance outstanding on the 2017 bonds as of June 30, 2022, is $46.9 million.

5. Long-Term Debt and Swaps (Continued)

Long-Term Debt: (Continued)

On October 19, 2017, the Authority issued $102.3 million par amount of Capital Grant Receipts Refunding Bonds, CGR Series 2017 (Federal Transit Administration Section 5337 State of Good Repair Formula Program Funds), (“2017 Refunding Bonds”). The 2017 Refunding Bonds are due in varying amounts with maturity dates of June 1, 2018, and June 1, 2022, through and including June 1, 2029. The 2017 Refunding Bonds were issued with a premium of $20.77 million and have yields ranging between 1.20% and 2.51% and bear a 5% annual interest rate. The proceeds from the sale of the 2017 Refunding Bonds in the amount of $123.07 million, together with other available moneys of the Authority, were used to (a) advance refund a portion of the Authority’s Capital Grant Receipts Bonds, Series 2011 (Federal Transit Administration Section 5309 Fixed Guideway Modernization Formula Funds) (“2011 Bonds”), in the aggregate principal amount of $110.45 million, and (b) fund certain costs and expenses incurred by the Authority in connection with the issuance and sale of the 2017 Refunding Bonds. Concurrently with the issuance of the 2017 Refunding Bonds, a portion of the proceeds of the 2017 Refunding Bonds and other moneys of the Authority were irrevocably deposited into an escrow account pursuant to an Escrow Agreement and invested in Government Obligations, the maturing principal of and interest on which will be sufficient to pay the interest and principal on the Refunded 2011 Bonds as such payments become due. Upon the deposit of the funds for the advance refunding of the Refunded 2011 Bonds pursuant to the terms of the Escrow Agreement, the Refunded 2011 Bonds were deemed to no longer be outstanding under the Indenture. The bonds decreased debt service by $14.32 million and resulted in an economic gain of $9.51 million. The principal balance outstanding on the 2017 bonds as of June 30, 2022, is $89.5 million.

On December 5, 2019, the Authority issued $17.825 million of Revenue Refunding Bonds, Series of 2019 (“2019 Refunding Bonds”). The 2019 Refunding Bonds are due in varying amounts with maturity dates of March 1, 2020, through and including March 1, 2028. The 2019 Revenue Refunding Bonds were issued with a premium of $2.76 million and have yields ranging from 1.21% to 1.67% and bear a 3% to 5% annual interest rate. The proceeds from the sale of the 2019 Revenue Refunding Bonds, were used to (a) current refund a portion of the Authority’s Revenue refunding Bonds, Series of 2010, in the aggregate principal amount of $19.84 million, and (b) fund certain costs and expenses incurred by the Authority in connection with the issuance and sale of the 2019 Revenue Refunding Bonds. The bonds decreased debt service by $2.97 million and resulted in an economic gain of $2.79 million. The principal balance outstanding on the bonds as of June 30, 2022, is $13.8 million.

The 2007, 2017 and 2019 Refunding Bonds are secured by dedicated funding received pursuant to Act 44.

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 Authority drew down $30.6 million in Fiscal Year 2016 and $61.6 million in Fiscal Year 2017. The Authority repaid the first tranche principal amount of $35 million upon maturity on May 30, 2017. The loan was repaid and there is no outstanding balance.

In November 2015, the Authority partnered with Constellation New Energy Inc., a GESA energy saving company (ESCO) to complete an $18.3 million energy saving project, pursuant to the Pennsylvania Guaranteed Energy Saving Act (GESA). To finance the project, the Authority entered into a master equipment lease/purchase agreement with Banc of America Public Capital Corporation. The project includes the replacement of onboard lighting with high efficiency LED technology for the majority of SEPTA’s regional rail fleets, and rail transit fleets of the Norristown High Speed Line and the Broad Street Subway and other energy savings improvements. The equipment to be installed will serve to reduce the Authority’s energy consumption and the resultant operating savings are guaranteed by the ESCO to equal or exceed the debt service payments throughout the term of the agreement. PennDOT has agreed for the Authority to use Section 1513 operating funds to pay for the capital lease rental payments in lieu

5. Long-Term Debt and Swaps (Continued)

Long-Term Debt: (Continued)

of using those same dollars to pay for higher utility expenses. The lease consists of two tranches of debt. The first tranche has a principal amount of $4.2 million and a final maturity of June 1, 2026; the second tranche has a principal amount of $14.0 million and a final maturity of June 1, 2033.

On January 1, 2016, the Authority entered into an EB-5 Loan Agreement with DVRC SEPTA II, LP (Delaware Valley Regional Center, LLC) for an amount not to exceed $300 million at 2% per annum to fund design, development, construction and purchase of materials, equipment and machinery necessary to complete the Elwyn-Wawa Rail Service Restoration, to rehabilitate 15th Street and City Hall Stations, to complete the Substation Rehabilitation Program, and to expand Frazer Yard including the acquisition of Locomotives and Multi-Level Regional Rail Cars. On April 28, 2017, the Authority borrowed $100 million. The loan will mature on July 1, 2022.

On November 1, 2017, the Authority borrowed an additional $90 million. The loan will mature on November 1, 2022. On September 20, 2018, the Authority borrowed an additional $33 million. The loan will mature on September 20, 2023. On March 11, 2019, the Authority borrowed an additional $14 million. The loan will mature on March 11, 2024. On November 15, 2019, the Authority borrowed an additional $2.5 million. The loan will mature on November 15, 2024. The total outstanding balance is $239.5 million as of June 30, 2022.

In November 2016, the Authority entered into a master equipment lease/purchase agreement with PNC Equipment Finance LLC for up to $37.9 million due in varying amounts through March 30, 2034, with an annual nominal interest rate of 2.83%. The equipment to be leased/purchased will include the installation of various energy conservation measures through a third-party agreement which will also serve to reduce the Authority’s energy consumption and operating expenses. The measures to be taken include the construction of a Combined Heat and Power Plant (“CHP”) that will provide electricity to the Wayne Junction substation and Midvale bus maintenance facility, the installation of interior and exterior LED lighting upgrades to certain Authority owned buildings, and other work to conserve energy. The resultant operating savings are guaranteed by the ESCO to equal or exceed the debt service payments and other yearly costs associated with the projects throughout the term of the agreement. PennDOT has agreed for the Authority to use Section 1513 operating funds to pay for the capital lease rental payments in lieu of using those same dollars to pay for higher utility expenses. The total outstanding balance is $31.8 million as of June 30, 2022.

On July 30, 2019, the Authority partnered with Constellation New Energy Inc., a GESA energy saving company (ESCO) to complete a $12.8 million energy saving project, pursuant to the Pennsylvania Guaranteed Energy Saving Act (GESA). To finance the project, the Authority entered into a Master Equipment Lease/ Purchase Agreement (the “Agreement”) with Banc of America Public Capital Corporation, due in varying amounts through February 1, 2037, with an annual nominal interest rate of 2.969%. 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 programmable doorframe retrofit kits; lighting wireless wall dimers; envelope improvements (weatherstripping, door sweeps, window film, caulking); EMCS upgrades (DDC controls); natural gas steam boiler plant; water conservation (aerators, toilets, urinals); cooling tower refurbishment and water submeter; generator improvement (heat pump); electric submetering; VFD/induction pumps; air handler improvements; destratification fans; computer plug load controllers/PC power management; electric window shades at the Authority’s Headquarters on 1234 Market Street. The equipment to be installed will serve to reduce the Authority’s energy consumption and the resultant operating savings are guaranteed by the ESCO to equal or exceed the debt service payments throughout the term of the agreement. PennDOT has agreed for the Authority to use Section 1513 operating funds to pay for the capital lease rental payments in lieu of using those same dollars to pay for higher utility expenses. As of June 30, 2022, the outstanding balance is $11.9 million.

On July 29, 2020, the Authority issued $97.23 million of Capital Grant Receipt Revenue Bonds, Series 2020. The “2020 CGR Bonds” are due in varying amounts with maturity dates of June 1, 2021, through and including June 1, 2032. The Bonds were issued with a premium of $23.49 million and have yields ranging from 0.41% to 1.43% and bear a 5% annual interest rate. The proceeds from the sale of the 2020 CGR Bonds in the amount of $120.72 million, together with other available moneys of the Authority,

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps (Continued)

Long-Term Debt: (Continued)

were used to finance the acquisition of approximately 140 diesel-electric hybrid buses and related project costs as well as payment of the cost of issuance of the 2020 CGR Bonds. As of June 30, 2022, the outstanding balance of these bonds is $84.8 million.

At June 30, 2022, the aggregate debt service requirements of business type activities of the Authority's debt are as follows:

	Business Type Activities			
	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	$ 26,845	$ 11,727	$ 193,734	$ 3,495
2024	28,180	10,405	50,767	1,948
2025	29,585	8,996	6,598	1,394
2026	31,060	7,517	3,959	1,254
2027	32,620	5,963	3,935	1,143
2028-2032	86,660	10,057	22,928	3,865
2033-2037	-	-	12,733	724
2038-2042	-	-	-	-
Total	$ 234,950	$ 54,665	$ 294,654	$ 13,823

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, associated with the converted indexed Variable Rate Revenue Refunding Bonds, Series 2007, has terminated as of March 1, 2022, which had a notional amount of $12.1 million as of June 30, 2021.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

5. Long-Term Debt and Swaps (Continued)

Swaps: (Continued)

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. The Underlying Swap Agreement 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. On March 2, 2021, the Authority terminated the Basis Swap and received a payment of $372 from the counterparty.

As of June 30, 2021, the Authority had the following derivative instrument outstanding:

	Notional	Fair Value		Changes in Fair Value	
	Amount	Classification	Amount	Classification	Amount
Business-type activities:					
Cash flow hedge:					
A. Pay-fixed interest rate swap	$ 12,100	Debt	$ 374	Deferred outflow	$ 892

Fair Value

As of June 30, 2021, the swap associated with 2007 series bonds had a negative fair value of $374 thousand. 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. The fair values are determined by using Level 2 observable inputs.

Line of Credit

During Fiscal Year 2022, the Authority repaid $60 million that was outstanding on the line of credit. On March 21, 2022, the Authority renewed the unsecured line of credit increasing it from $200 million to $300 million with PNC Bank., with an expiration date of April 30, 2023. Interest on amounts outstanding is due on the first day of each month changing from the Daily LIBOR plus seventy basis points (0.70%) as of June 30, 2021, to the 1-month Bloomberg Short Term Bond Yield Index "BSBY" plus fifty-five basis points (0.55%), currently at. There was $70 million in borrowings on the line, and no repayments for the year ended June 30, 2022. As of June 30, 2022, the balance available on the line of credit is $230 million.

There is an Unused Fee due on each anniversary date equal to a rate per annum of fifteen basis points (0.15%) if equal to or less than 50% drawn on the loan expiring April 30, 2023, on the average daily amount of the Unused Revolving Line of Credit. However, an Unused Fee of ten basis points (0.10%) shall be due for such period if the average unused amount is more than 50% of the amount of the revolving line of credit at the beginning of the period. The Unused Fee accrues on the date of the agreement and shall cease to accrue on the expiration date.

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 leases that are accounted for in accordance with the provisions of GASB 87.

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 $29.6 million as of June 30, 2022, are considered to be defeased in substance and therefore the related debt, as well as the trust assets, are 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 has 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.

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 $875 thousand, $2.0 million, $2.0 million, $2.4 million, and $2.7 million in Fiscal Years 2019, 2018, 2017, 2015 and 2014, respectively. The Federal Transit Administration (FTA) has approved the Authority’s request to use proceeds of $8.0 million toward the renovation of Dilworth Plaza and $9.7 million toward the repair of the Market-Frankford Elevated haunch failures. As of June 30, 2016, Dilworth Plaza was completed and the $8.0 million was fully expended.

In Fiscal Year 2016, the Authority entered into the Federal Equitable Sharing Agreement with the Department of Justice. Under this Equitable Sharing Program, the Authority received $54 thousand. Per the agreement, the funds must be used for law enforcement purposes only. As of June 30, 2022, the balance of these funds is $197 thousand.

In the Fiscal Year 2018, SEPTA became the new fiscal agent for the Pennsylvania Unified Certification Program. Under this Program the Authority received $274 thousand. Per the agreement the funds must be used for certification decisions on behalf of all agencies and organizations in the Commonwealth with respect to participation in the DBE Program. As of June 30, 2022, the balance of these funds is $239 thousand.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

6. Leases and Other Liabilities (Continued)

Other Liabilities: (Continued)

Available proceeds included in other liabilities as of June 30, 2022, include $3.1 million for the repair of the Market-Frankford Elevated haunch failures, $197 thousand from the Equitable Sharing Program, and $239 thousand in the Pennsylvania Unified Certification Program (PA UCP) fund.

Other Liabilities	Beginning Balance	Additions	Reductions	Investment Earnings	Ending Balance
2022	$ 3,281	$ 333	$ (76)	$ 3	$ 3,541
2021	$ 4,235	$ 1,166	$ (2,121)	$ 1	$ 3,281

Lease Liabilities:

The Authority is a lessee for noncancellable leases of antennas for vehicle dispatching towers, warehouse storage space, and parking lots. These leases have various start and ending dates ranging from July 1, 2020, through December 1, 2040, with principal and interest payments ranging from $ .013 to $ .534 million per year. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements for such leases that exceed $5,000 per year.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

As of June 30, 2022, the future principal and interest payments are as follows:

Year	Principal	Interest	Total
2023	$ 998	$ 215	$ 1,213
2024	1,032	215	1,247
2025	1,069	215	1,284
2026	1,017	213	1,230
2027	739	189	928
2028-2032	2,770	978	3,748
2033-2037	2,709	1,045	3,754
2038-2041	797	334	1,131
Total	$ 11,131	$ 3,404	$ 14,535

The balance of the Authority's intangible right to use asset (leased transit facilities) and related accumulated amortization was $13,219 and $2,442 respectively, at June 30, 2022.

7. Pension Plans

General Information about the Pension Plans

Plan Descriptions

The Authority maintains five trusteed, 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 Pension Board and the Authority's Human Resources Department. The Pension Board consists of six members. Regional rail union employees are covered under pension provisions of the Railroad Retirement Act. Administrative costs of all pension plans are financed through the plan' 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 (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, if hired prior to August 1, 2015. For a SAM employee hired after August 1, 2015, a SAM employee may retire at the age of 65 and completion of at least 10 years of credited service or the age of 60 and completion of at least 30 years of credited service.

The investment return assumption was decreased from 7.0% to 6.75% in 2018, and from 6.75% to 6.50% in 2021. The postretirement mortality assumptions has been modified to 102% of the RP-2006 Healthy Annuitant mortality table. Mortality improvements both before and after the measurement date use a 60-year average of Social Security data from 1955 to 2015 using a generational approach. This change slightly decreased the expected number of deaths for retirees. In addition, changes were made to the disability mortality and the preretirement mortality assumptions. The December 27, 2018, study also proposed changes to the form of payment election assumption and the marriage assumption for female members. Upon retirement, 50% of male members and 15% of female members are assumed to elect a joint and survivor annuity. (Previously all members were assumed to elect a single life annuity.) The marriage assumption for female members was reduced from 80% to 50% (male members remained at 80%).

During Fiscal Year 2017, the following modifications were made for certain bargaining employees of the City Transit Division, the Frontier Division, and the Suburban Transit Division. The required contributions for employees were changed from a percentage of compensation to $50 per week. The calculation of retirement benefits was changed from percentages of compensation or annual wage rates to the sum of $94 per month for each year of credited service accrued up to November 28, 2016, for TWU; December 15, 2016 for SMART; and February 23, 2017 for IBT employees; and $100 per month for each year of credited service after those dates. A new benefit option has been added to these plans, permitting members to receive an actuarially equivalent benefit that is payable for the member's life, with a guarantee of at least 10 years of benefit payments. If the member does not receive 10 years of payments before death, the member's beneficiary receives the balance of 10 years of payments. 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, Suburban Transit, and Frontier plans 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.

Effective for retirements on or after July 1, 2015, a SAM employee's normal benefit is 1.8% of average annual compensation for each year of credited service up to 10 years; plus 2.0% 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 SAM employees hired on or after August 1, 2015, the basic plan benefit is 1.6% of average annual compensation for each year of credited service. There is an enhanced plan benefit that amounts to 1.8% of average annual compensation for each year of credited service up to 10 years plus, 2.0% 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 SAM employees, for the new formula benefit accrued after December 31, 2015, in determining the grandfathered benefit, a three-year average of the employee's annual salary rate on the day before retirement date and the same date for the two years prior. Any increases received within 90 days of termination are excluded. For service, accrued as of December 31, 2015, in determining the grandfathered benefit, the employee's

7. Pension Plans (Continued)

Benefits Provided (Continued)

compensation during the last 36 months of employment prior to retirement (or December 31, 2015 if earlier) divided by three. For members of SAM as of December 31, 2015 (excluding members who were hired prior to December 31, 2015, but transfer into SAM after December 31, 2015), the minimum benefit is based on the prior benefit formula (1.8% of average annual compensation for each year of credited service in excess of 30 years plus 1% of average annual compensation per year of credited service in excess of 30 years) determined as of December 31, 2015 (or date of termination if earlier) plus the new formula for service accrued after December 31, 2015 reflecting the revised definition of average annual compensation. 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 for employees hired before August 1, 2015. For SAM employees hired after August 1, 2015, the normal retirement benefit is reduced by 4% for each year that the early retirement date precedes age 65. 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. 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

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Benefits Provided (Continued)

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.

Employees Covered by Benefit Terms

At January 1, 2020, the date of the actuarial valuation that was used to determine the Authority's total pension liability as of June 30, 2021, the following employees were covered by the benefit terms:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Inactive employees or beneficiaries Currently receiving benefits	2,128	105	3,572	269	60	6,134
Inactive employees entitled to but not yet receiving benefits	371	44	622	109	31	1,177
Active employees	1,842	183	5,057	555	218	7,855
Total	4,341	332	9,251	933	309	15,166

At January 1, 2019, the date of the actuarial valuation that was used to determine the Authority's total pension liability as of June 30, 2020, the following employees were covered by the benefit terms:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Inactive employees or beneficiaries Currently receiving benefits	2,203	110	3,652	292	65	6,322
Inactive employees entitled to but not yet receiving benefits	365	41	616	102	32	1,156
Active employees	1,801	186	4,934	537	209	7,667
Total	4,369	337	9,202	931	306	15,145

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

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 June 30, 2022, are as follows:

Contribution rates:	SAM	Transit Police	City Transit	Suburban Transit	Frontier
SEPTA	37.30%	36.78%	18.60%	16.10%	4.90%
Plan members	*	3.85%	$50/pay	$50/pay	$50/pay
SEPTA Contributions	$55,792	$5,052	$56,342	$ 5,286	$ 607

The Authority and plan members' contribution rates of annual covered payroll for each plan as of June 30, 2021, are as follows:

Contribution rates:	SAM	Transit Police	City Transit	Suburban Transit	Frontier
SEPTA	35.20%	27.00%	17.90%	14.90%	4.40%
Plan members	*	3.85%	$50/pay	$50/pay	$50/pay
SEPTA Contributions	$51,738	$3,756	$52,061	$ 4,837	$ 535

* For members hired prior to August 1, 2015, 0.9% of pay up to Social Security covered compensation plus 1.1% of pay in excess of Social Security covered compensation from July 1, 2015, through December 1, 2015 and 2.5% of the annual salary rate thereafter.

Net Pension Liability

The Authority's Fiscal Year 2022 net pension liability was measured as of June 30, 2021 ("measurement date"). The total pension liability was determined by the use of updated procedures to roll forward the pension plan's actuarial valuation dated January 1, 2020, to the measurement date. The Authority's Fiscal Year 2021 net pension liability was measured as of June 30, 2020. The total pension liability was determined by the use of update procedures to roll forward the pension plan's actuarial valuation dated January 1, 2019, to the measurement date.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Actuarial Assumptions

The Fiscal Year 2022 total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier
Investment rate of return[1]	6.50%	6.50%	6.50%	6.50%	6.50%
Salary increases, including inflation	3.00%	[2]	[2]	[2]	[2]
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%

[1] Interest is net of investment-related expenses.

[2] 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-2006 Employee Mortality Table for Males and Females for Preretirement, the RP-2006 Healthy Annuitant Mortality Table for Males and Females for beneficiaries, and the RP-2006 Disabled Annuitant Mortality Table for Males and Females for disabled beneficiaries, as appropriate, with adjustments for mortality improvements equal to the 60-year average of Social Security data from 1955 to 2015. The mortality rates for the Transit Police Plan, City Transit Plan, Suburban Transit Plan, and the Frontier Plan include Blue Collar adjustments for Preretirement and Postretirement healthy lives. No Blue Collar adjustments were made for disabled beneficiaries.

The actuarial assumptions that determined the pension liability as of June 30, 2021, were based upon the results of an actuarial experience study, dated December 18, 2020 for the period ending from January 1, 2014 through December 31, 2018, and a mortality study dated December 27, 2018 covering the period from January 1, 2011 to December 31, 2016.

The Fiscal Year 2021 total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier
Investment rate of return[1]	6.50%	6.50%	6.50%	6.50%	6.50%
Salary increases, including inflation	3.25%	[2]	[2]	[2]	[2]
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%

[1] Interest is net of investment-related expenses.

[2] Salary scale rates vary by years of service, for actuarial valuation purposes .5% plus inflation.

7. Pension Plans (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions that determined the pension liability as of June 30, 2020, were based upon the results of an actuarial experience study, dated March 26, 2015 for the period ending from January 1, 2007 through December 31, 2013, and a mortality study dated December 27, 2018 covering the period from January 1, 2011 to December 31, 2016.

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

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Allocations for June 30, 2022:		
US Cash	2.30%	-0.32%
US Core Fixed Income	12.60%	1.37%
US High Yield Bonds	3.70%	3.95%
Non-US Bonds	3.20%	-0.27%
US Large Cap Equity	0.40%	5.15%
US Broad Equity Market	22.80%	5.33%
US Large & Mid Cap Growth Equity	4.20%	5.29%
US Large & Mid Cap Growth Equity	4.10%	5.14%
US Small Cap Equity	4.35%	6.58%
US Small Cap Growth Equity	4.35%	7.11%
Non-US Equity	14.60%	6.74%
Foreign Developed Equity	3.20%	6.27%
Emerging Markets Equity	1.80%	8.64%
Private Real Estate Property- Core	4.90%	4.62%
Private Equity	2.40%	10.30%
Timber	0.80%	4.76%
Farmland	0.20%	5.12%
Infrastructure- Public	2.00%	5.22%
Commodities	1.00%	1.93%
Hedge Funds- MultiStrategy	4.80%	3.75%
Hedge Funds - Distressed	2.30%	3.83%
Total	100.00%	
Allocations for June 30, 2021:		
US Cash	2.07%	-0.52%
US Core Fixed Income	15.78%	0.62%
US High Yield Bonds	2.53%	3.56%
US Large Caps	0.40%	4.53%
Non-US Bonds	2.14%	0.20%
US Equity Market	23.31%	4.84%
US Small Caps	3.29%	6.20%
US Large Growth	3.80%	4.90%
US Large Value	3.76%	4.86%
US Small Growth	3.76%	6.70%
Non-US Equity	13.45%	6.54%
Foreign Developed Equity	3.29%	6.39%
Emerging Markets Equity	1.68%	8.45%
Private Real Estate Property	6.89%	3.60%
Timber	1.09%	3.75%
Private Equity	5.07%	9.65%
Commodities	1.72%	2.67%
Hedge Funds - MultiStrategy	3.66%	3.16%
Hedge Funds - Distressed	2.31%	3.10%
Total	100.00%	

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability for the five plans was 6.50% for June 30, 2021 and 2020 measurement dates. 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.

Changes in the Fiscal Year 2022 Net Pension Liability

SAM Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	$ 1,080,524	$ 664,654	$ 415,870
Changes for the year:			
Service cost	15,030	-	15,030
Interest	69,217	-	69,217
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	12,072	-	12,072
Effect of assumptions changes or inputs	(1,070)	-	(1,070)
Contributions - employer	-	51,738	(51,738)
Contributions - employee	-	5,778	(5,778)
Net investment income	-	173,411	(173,411)
Benefit payments	(62,345)	(62,345)	-
Administrative expense	-	(381)	381
Other changes	-	3,093	(3,093)
Net changes	32,904	171,294	(138,390)
Balances as of end of year	$ 1,113,428	$ 835,948	$ 277,480
Fiduciary Net Position as a percentage of the total pension liability			75.1%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Changes in the Fiscal Year 2021 Net Pension Liability

SAM Plan

	Increase (Decrease)		
	(a)	(b)	(a) - (b)
Balances as of beginning of year	$ 1,010,459	$ 650,459	$ 360,000
Changes for the year:			
Service cost	13,843	-	13,843
Interest	67,219	-	67,219
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	19,442	-	19,442
Effect of assumptions changes or inputs	27,443	-	27,443
Contributions - employer	-	49,025	(49,025)
Contributions - employee	-	4,714	(4,714)
Net investment income	-	16,986	(16,986)
Benefit payments	(57,882)	(57,882)	-
Administrative expense	-	(270)	270
Other changes	-	1,622	(1,622)
Net changes	70,065	14,195	55,870
Balances as of end of year	$ 1,080,524	$ 664,654	$ 415,870
Fiduciary Net Position as a percentage of the total pension liability			61.5%

Changes in the Fiscal Year 2022 Net Pension Liability

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	$ 72,579	$ 43,605	$ 28,974
Changes for the year:			
Service cost	1,561	-	1,561
Interest	4,689	-	4,689
Effect of economic/demographic gains or (losses)	(566)	-	(566)
Effect of assumption changes or inputs	6,530	-	6,530
Contributions - employer	-	3,756	(3,756)
Contributions - employee	-	624	(624)
Net investment income	-	11,347	(11,347)
Benefit payments	(4,053)	(4,053)	-
Administrative expense	-	(25)	25
Other changes	-	(851)	851
Net changes	8,161	10,798	(2,637)
Balances as of end of year	$ 80,740	$ 54,403	$ 26,337
Fiduciary Net Position as a percentage of the total pension liability			67.4%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Changes in the Fiscal Year 2021 Net Pension Liability

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	$ 66,014	$ 42,055	$ 23,959
Changes for the year:			
Service cost	1,469	-	1,469
Interest	4,429	-	4,429
Effect of economic/demographic gains or (losses)	2,368	-	2,368
Effect of assumption changes or inputs	2,101	-	2,101
Contributions - employer	-	3,522	(3,522)
Contributions - employee	-	611	(611)
Net investment income	-	1,103	(1,103)
Benefit payments	(3,802)	(3,802)	-
Administrative expense	-	(18)	18
Other changes	-	134	(134)
Net changes	6,565	1,550	5,015
Balances as of end of year	$ 72,579	$ 43,605	$ 28,974
Fiduciary Net Position as a percentage of the total pension liability			60.1%

Changes in the Fiscal Year 2022 Net Pension Liability

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	$ 1,224,360	$ 717,541	$ 506,819
Changes for the year:			
Service cost	22,476	-	22,476
Interest	78,651	-	78,651
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(6,239)	-	(6,239)
Effect of assumptions changes or inputs	6,515	-	6,515
Contributions - employer	-	52,061	(52,061)
Contributions - employee	-	12,479	(12,479)
Net investment income	-	186,073	(186,073)
Benefit payments	(74,808)	(74,808)	-
Administrative expense	-	(419)	419
Other changes	-	2,862	(2,862)
Net changes	26,595	178,248	(151,653)
Balances as of end of year	$ 1,250,955	$ 895,789	$ 355,166
Fiduciary Net Position as a percentage of the total pension liability			71.6%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Changes in the Fiscal Year 2021 Net Pension Liability

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	$ 1,176,697	$ 707,106	$ 469,591
Changes for the year:			
Service cost	20,878	-	20,878
Interest	78,439	-	78,439
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(9,630)	-	(9,630)
Effect of assumptions changes or inputs	30,191	-	30,191
Contributions - employer	-	52,860	(52,860)
Contributions - employee	-	13,111	(13,111)
Net investment income	-	18,314	(18,314)
Benefit payments	(72,215)	(72,215)	-
Administrative expense	-	(301)	301
Other changes	-	(1,334)	1,334
Net changes	47,663	10,435	37,228
Balances as of end of year	$ 1,224,360	$ 717,541	$ 506,819
Fiduciary Net Position as a percentage of the total pension liability			58.6%

Changes in the Fiscal Year 2022 Net Pension Liability

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	$ 108,872	$ 63,872	$ 45,000
Changes for the year:			
Service cost	2,514	-	2,514
Interest	7,060	-	7,060
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(1,396)	-	(1,396)
Effect of assumptions changes or inputs	724	-	724
Contributions - employer	-	4,837	(4,837)
Contributions - employee	-	1,366	(1,366)
Net investment income	-	16,838	(16,838)
Benefit payments	(5,619)	(5,619)	-
Administrative expense	-	(37)	37
Other changes	-	6,533	(6,533)
Net changes	3,283	23,918	(20,635)
Balances as of end of year	$ 112,155	$ 87,790	$ 24,365
Fiduciary Net Position as a percentage of the total pension liability			78.3%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Changes in the Fiscal Year 2021 Net Pension Liability

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	$ 102,589	$ 62,123	$ 40,466
Changes for the year:			
Service cost	2,370	-	2,370
Interest	6,891	-	6,891
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(25)	-	(25)
Effect of assumptions changes or inputs	2,890	-	2,890
Contributions - employer	-	4,784	(4,784)
Contributions - employee	-	1,389	(1,389)
Net investment income	-	1,623	(1,623)
Benefit payments	(5,843)	(5,843)	-
Administrative expense	-	(26)	26
Other changes	-	(178)	178
Net changes	6,283	1,749	4,534
Balances as of end of year	$ 108,872	$ 63,872	$ 45,000
Fiduciary Net Position as a percentage of the total pension liability			58.7%

Changes in the Fiscal Year 2022 Net Pension Liability

Frontier Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	$ 33,795	$ 32,218	$ 1,577
Changes for the year:			
Service cost	1,031	-	1,031
Interest	2,229	-	2,229
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(136)	-	(136)
Effect of assumptions changes or inputs	235	-	235
Contributions - employer	-	535	(535)
Contributions - employee	-	544	(544)
Net investment income	-	8,318	(8,318)
Benefit payments	(1,080)	(1,080)	-
Administrative expense	-	(16)	16
Other changes	-	(11,639)	11,639
Net changes	2,279	(3,338)	5,617
Balances as of end of year	$ 36,074	$ 28,880	$ 7,194
Fiduciary Net Position as a percentage of the total pension liability			80.1%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Changes in the Fiscal Year 2021 Net Pension Liability

Frontier Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of beginning of year	$ 31,651	$ 30,467	$ 1,184
Changes for the year:			
Service cost	978	-	978
Interest	2,201	-	2,201
Effect of plan changes	-	-	-
Effect of economic/demographic gains or (losses)	(1,951)	-	(1,951)
Effect of assumptions changes or inputs	951	-	951
Contributions - employer	-	675	(675)
Contributions - employee	-	548	(548)
Net investment income	-	819	(819)
Benefit payments	(35)	(35)	-
Administrative expense	-	(12)	12
Other changes	-	(244)	244
Net changes	2,144	1,751	393
Balances as of end of year	$ 33,795	$ 32,218	$ 1,577
Fiduciary Net Position as a percentage of the total pension liability			95.3%

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

The following presents the net pension liability of the SEPTA Pension Plans for the year ended June 30, 2022, calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current	1% Increase
SAM	$ 401,207	$ 277,480	$ 172,405
Transit Police	36,787	26,337	17,674
City Transit	491,733	355,166	238,898
Suburban Transit	37,568	24,365	13,184
Frontier	11,693	7,194	3,391
Total	$ 978,988	$ 690,542	$ 445,552

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

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

The following presents the net pension liability of the SEPTA Pension Plans for the year ended June 30, 2021, calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current	1% Increase
SAM	$ 537,675	$ 415,870	$ 312,414
Transit Police	38,430	28,974	21,109
City Transit	640,501	506,819	392,850
Suburban Transit	57,846	45,000	34,112
Frontier	5,805	1,577	(2,002)
Total	$ 1,280,257	$ 998,240	$ 758,483

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, SEPTA recognized pension expense of $43,707 ($27,872 for the SAM Plan, $3,958 for the Transit Police Plan, $11,690 for the City Transit Plan, $1,595 for the Suburban Transit Plan, and $(1,408) for the Frontier Plan). At June 30, 2021, 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	$ 22,866	$ 7,336	$ -	$ 628	$ -	$ 30,830
Changes in assumptions	22,934	9,454	29,028	3,073	1,030	65,519
Net difference between projected and actual earnings	-	-	-	-	-	-
Contributions made subsequent to measurement date	55,792	5,052	56,342	5,286	607	123,079
Total	$101,592	$ 21,842	$ 85,370	$ 8,987	$ 1,637	$219,428

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

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

Deferred Inflows of Resources

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Differences between expected and actual experience	$ -	$ (683)	$ (25,137)	$ (1,961)	$ (4,964)	$ (32,745)
Changes in assumptions	(857)	-	(1,349)	(171)	-	(2,377)
Net difference between projected and actual earnings	(89,493)	(5,859)	(95,946)	(8,742)	(4,291)	(204,331)
Total	$ (90,350)	$ (6,542)	$(122,432)	$(10,874)	$ (9,255)	$ (239,453)

For the year ended June 30, 2021, SEPTA recognized pension expense of $113,107 ($57,943 for the SAM Plan, $4,931 for the Transit Police Plan, $45,485 for the City Transit Plan, $4,651 for the Suburban Transit Plan, and $97 for the Frontier Plan). At June 30, 2021, 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	$ 21,055	$ 8,718	$ -	$ 785	$ -	$ 30,558
Changes in assumptions	33,451	4,708	29,423	2,948	931	71,461
Net difference between projected and actual earnings	12,373	796	13,404	1,210	611	28,394
Contributions made subsequent to measurement date	51,738	3,756	52,061	4,837	535	112,927
Total	$118,617	$ 17,978	$ 94,888	$ 9,780	$ 2,077	$243,340

Deferred Inflows of Resources

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Differences between expected and actual experience	$ -	$ (284)	$(26,075)	$ (1,047)	$ (5,687)	$(33,093)
Changes in assumptions	-	-	(1,736)	(211)	-	(1,947)
Net difference between projected and actual earnings on pension plan investments	-	-	-	-	-	-
Total	$ -	$ (284)	$(27,811)	$ (1,258)	$ (5,687)	$(35,040)

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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 as of June 30, 2022, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Year ended June 30:						
2023	$ (5,562)	$ 1,495	$ (25,523)	$ (2,025)	$ (1,819)	$ (33,434)
2024	(7,409)	1,710	(22,574)	(1,748)	(1,673)	(31,694)
2025	(9,487)	1,649	(22,556)	(1,803)	(1,660)	(33,857)
2026	(22,158)	1,309	(26,553)	(2,228)	(1,905)	(51,535)
2027	66	2,774	2,696	317	(536)	5,317
Thereafter	-	1,311	1,106	314	(632)	2,099

Plan Reporting as of June 30, 2022

The following disclosures are as of the pensions plan's year end of June 30, 2022. For financial reporting purposes, the Authority has elected to measure its pension related liabilities 1 year before its financial statement date. The information presented below will be used by the Authority to record it pension related liabilities in its June 30, 2023, financial statements.

At January 1, 2020, the date of the actuarial valuation that was used to determine the Authority's total pension liability as of June 30, 2022, the following employees were covered by the benefit terms:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Inactive employees or beneficiaries Currently receiving benefits	2,203	110	3,652	292	65	6,322
Inactive employees entitled to but not yet receiving benefits	365	41	616	102	32	1,156
Active employees	1,801	186	4,934	537	209	7,667
Total	4,369	337	9,202	931	306	15,145

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
US Cash	BAML 3-Mon Tbill	2.30%	0.21%
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	12.60%	1.95%
US High Yield Bonds	ICE BoFA US High Yield TR USD	3.70%	4.24%
Non-US Bonds	JPM GBI Global Ex US TR USD	3.20%	-0.13%
US Large Cap Equity	S&P 500 TR USD	0.40%	5.57%
US Broad Equity Market	Russell 3000 TR USD	22.80%	5.70%
US Large & Mid Cap Growth Equity	Russell 1000 Growth TR USD	4.20%	5.75%
US Large & Mid Cap Value Equity	Russell 1000 Value TR USD	4.10%	5.43%
US Small Cap Equity	Russell 2000 TR USD	4.35%	7.18%
US Small Cap Growth Equity	Russell 2000 Growth TR USD	4.35%	7.85%
Non-US Equity	MSCI ACWI Ex USA NR USD	14.60%	7.67%
Foreign Developed Equity	MSCI EAFE NR USD	3.20%	6.99%
Emerging Markets Equity	MSCI EM NR USD	1.80%	9.44%
Private Real Estate Property - Core	NCREIF Property	4.90%	4.88%
Private Equity	Cambridge Associates US Private Equity	2.40%	10.73%
Timber	NCREIF Timberland	0.80%	4.74%
Farmland	NCREIF Farmland	0.20%	5.10%
Infrastructure - Public	S&P Global Infrastructure TR USD	2.00%	5.13%
Commodities	Bloomberg Commodity TR USD	1.00%	2.56%
Hedge Funds - MultiStrategy	HFRI Fund Wtd Composite	4.80%	4.25%
Hedge Funds - Distressed	HFRI Distressed	2.30%	4.21%
Total		100.00%	

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability for the five plans was 6.50% for June 30, 2022, measurement dates. 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.

Rate of return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, is disclosed below. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	SAM	Transit Police	City Transit	Suburban Transit	Frontier
Money-weighted rate of return	-10.54%	-10.84%	-10.50%	-10.57%	-10.46%

Net Pension Liability

The total pension liability was determined by the use of updated procedures to roll forward the pension plan's actuarial valuation dated January 1, 2021, to the pension plan's June 30, 2022 year-end. The components of the net pension liability of the Authority at June 30, 2022 are as follows:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Total pension liability	$1,150,014	$ 88,084	$1,270,387	$116,647	$ 37,338	$2,662,470
Plan fiduciary net position	744,427	49,367	789,733	78,639	25,338	1,687,504
Authority net pension liability	$ 405,587	$ 38,717	$ 480,654	$ 38,008	$ 12,000	$ 974,966
Plan fiduciary net position as a percentage of the total pension liability	64.73%	56.05%	62.16%	67.42%	67.86%	63.38%

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

7. Pension Plans (Continued)

Actuarial Assumptions

The Fiscal Year 2022 total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	SAM	Transit Police	City Transit	Suburban Transit	Frontier
Investment rate of return[1]	6.50%	6.50%	6.50%	6.50%	6.50%
Salary increases, including inflation	3.00%	[2]	[2]	[2]	[2]
inflation	3.00%	2.50%	2.50%	2.50%	2.50%

[1] Interest is net of investment-related expenses.

[2] 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-2006 Employee Mortality Table for Males and Females for Preretirement, the RP-2006 Healthy Annuitant Mortality Table for Males and Females for beneficiaries, and the RP-2006 Disabled Annuitant Mortality Table for Males and Females for disabled beneficiaries, as appropriate, with adjustments for mortality improvements equal to the 60-year average of Social Security data from 1955 to 2015. The mortality rates for the Transit Police Plan, City Transit Plan, Suburban Transit Plan, and the Frontier Plan include Blue Collar adjustments for Preretirement and Postretirement healthy lives. No Blue Collar adjustments were made for disabled beneficiaries.

The actuarial assumptions that determined the total pension liability as of June 30, 2021, were based on the results of an actuarial experience study, dated December 18, 2020 for the period from January 1, 2014 through December 31, 2018, and a mortality study dated December 27, 2018 covering the period from January 1, 2011 to December 31, 2016.

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

The following presents the net pension liability of the SEPTA Pension Plans for the year ended June 30, 2022, calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage point higher (7.50 percent) than the current rate:

	1% Decrease	Current	1% Increase
SAM	$ 532,715	$ 405,587	$ 297,613
Transit Police	50,378	38,717	29,073
City Transit	618,174	480,654	363,537
Suburban Transit	51,549	38,008	26,535
Frontier	16,578	12,000	8,126
Total	$ 1,269,394	$ 974,966	$ 724,884

8. Other Postemployment Benefits

Plan Description and Benefits Provided

The Authority sponsors a single-employer defined benefit plan that provides 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 this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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. Prior to December 1, 2016, health insurance benefits were generally provided for three years, except Health Maintenance Organization (HMO) plan coverage was 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, 2017 decreasing the duration of the medical benefits provided from 50 months to 36 months. Beginning December 1, 2016, with varying effective dates by union, health insurance benefits are generally provided for forty months for bargaining unit employees and for thirty-six months for SAM employees. 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.

During 2019, plan changes for police and union rail members include the duration of medical coverage upon retirement from 36 months, for PPO coverage and 50 months for HMO coverage to 40 months, regardless of plan election. For union rail members, excluding (TCU), extending prescription drug coverage from 3 years to 5 years, but no later than age 65. The effective date of these changes varies by union agreement.

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.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

Plan Description and Benefits Provided (Continued)

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. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Statement 75.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8,681
Active employees	9,067
	17,748

Total OPEB Liability

The Authority's Fiscal Year 2022 total OPEB liability amounted to $1,431,020 for Fiscal Year 2021, and $1,493,341 for Fiscal Year 2012 and was measured as of June 30, 2021, and June 30, 2020, ("Measurement Dates"). The Fiscal Year 2022 total OPEB liability was determined by an actuarial valuation dated June 30, 2021 and the Fiscal Year 2021 total OPEB liability was determined by an actuarial valuation dated June 30, 2019 which was rolled forward using updated procedures to the June 30, 2020 measurement date.

The Total OPEB liability was determined using the entry age cost method and the following actuarial assumptions and other inputs:

Discount Rate: 2.21% per annum as of June 30, 2020, and 2.16% per annum as of June 30, 2021 (Bond Buyer General Obligation 20-Bond Municipal Bond Index)

Salary Increases: 3.25% per year for SAM members; 2.75% for transit police members, and 2.50% for all other members.

Valuation Compensation: Annualized wage rate as of June 30, 2021.

Health Cost Trend: The healthcare trend assumption is based on the Society of Actuaries-Getzen Model version 2022.2 utilizing the baseline assumptions included in the model, except inflation of 2.5% for medical and prescription drug benefits separately. Further adjustments apply based on percentage of costs associated with administrative expenses, aging factors, and other healthcare reform provisions. The health cost trend assumption for medical and pharmacy benefits at sample years is as follows.

Fiscal Year-End	Prescription Drug	Medical Pre-65	Medical Post-65
2022	6.3	5.6	4.4
2023	6.0	5.4	4.6
2024	5.4	5.2	4.9
2025	5.0	5.0	5.0
2026	5.0	4.9	4.9
2031	4.6	4.6	4.6
2036	4.6	4.6	4.6
2041	4.5	4.5	4.5
2046	4.5	4.5	4.5
2051	4.5	4.5	4.5
2061	4.5	4.5	4.5
2071	4.1	4.1	4.1
2081	3.9	3.9	3.9

8. Other Postemployment Benefits (Continued)

Total OPEB Liability (Continued)

For purposes of applying the Entry Age Normal cost method, the healthcare trend prior to the valuation date is based on the ultimate rate, which is 3.9% for prescription drug, 3.9% for medical costs prior to age 65, and 3.9% of medical costs at age 65 and later.

Mortality: For 2022 and 2021, all mortality rates projected on a generational basis using mortality improvements equal to a 60-year average social security data from 1955 to 2015. As a generational table, it reflects mortality improvements both before and after the measurement date.

Preretirement: For 2022 and 2021, RP-2006 Employee Mortality Table for Males and Females with blue collar adjustments. No Blue Collar adjustments were used for current and future SAM members.

Postretirement Healthy Lives: For 2022 and 2021, RP-2006 Healthy Annuitant Mortality Table for Males and Females with blue collar adjustments multiplied by 115% up to age 90. The adjustment is phased out from ages 90 to 95. For current and future SAM members, no Blue Collar adjustments apply, and the multiplicative adjustment factor is 102%.

Postretirement Disabled Lives: for 2022 and 2021, RP-2006 Disabled Annuitant Mortality Table for Males and Females.

The demographic actuarial assumptions that determined the total OPEB liability as of June 30, 2021 were based on the results of an actuarial experience study, dated December 18, 2020 for active members of the retirement and OPEB plans sponsored by SEPTA, covering the period from January 1, 2014 through December 31, 2018, and a mortality study for covered members of the pension plans sponsored by SEPTA dated December 27, 2018 covering the period from January 1, 2011 to December 31, 2016. Healthcare related assumptions are determined as of each valuation date.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

Total OPEB Liability (Continued)

Changes in Fiscal Year 2022 OPEB Liability

Balance as of beginning of year	$ 1,493,341
Changes for the year:	
Service cost	47,814
Interest on total OPEB liability	33,524
Effect of plan changes	-
Effect of economic/demographic gains or losses	(1,588)
Effect of assumptions changes or inputs	(93,315)
Benefit payments	(48,756)
Net changes	(62,321)
Balance as of June 30, 2021	$ 1,431,020

Changes in Fiscal Year 2021 OPEB Liability

Balance as of beginning of year	$ 1,256,735
Changes for the year:	
Service cost	38,396
Interest on total OPEB liability	44,438
Effect of plan changes	-
Effect of economic/demographic gains or losses	2,101
Effect of assumptions changes or inputs	203,043
Benefit payments	(51,372)
Net changes	236,606
Balance as of June 30, 2020	$ 1,493,341

Changes in Assumptions – FY 2022

The discount rate has been changed from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021, due to changes in the applicable municipal bond index. Healthcare related assumptions and salary scale, termination, and retirement were updated based on the 2014-2018 Experience Study.

Changes in Assumptions – FY 2021

The discount rate changed from 3.50% to 2.21% and healthcare trend assumptions for medical benefits were revised to reflect the elimination of the excise tax.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rate

The following represents the total OPEB liability of the SEPTA Plan for the year ending June 30, 2022, calculated using the discount rate of 2.16%, as well as what the SEPTA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate.

	1% Decrease 1.16%	Discount Rate 2.16%	1% Increase 3.16%
Total OPEB liability	$1,628,687	$ 1,431,020	$1,265,796

The following represents the total OPEB liability of SEPTA Plan for the year ending June 30, 2021, calculated using the discount rate of 2.21%, as well as what the SEPTA's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate.

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Total OPEB liability	$1,699,820	$ 1,493,341	$1,320,646

The following represents the total OPEB liability of SEPTA Plan for the year ending June 30, 2022, calculated using the current healthcare cost trend rates as well as what SEPTA's total liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$1,252,549	$ 1,431,020	$1,650,519

The following represents the total OPEB liability of SEPTA Plan for the year ending June 30, 2021, calculated using the current healthcare cost trend rates as well as what SEPTA's total liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$1,292,581	$ 1,493,341	$1,742,189

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

8. Other Postemployment Benefits (Continued)

Sensitivity of Total OPEB Liability to Changes in the Discount Rate (Continued)

For the year ending June 30, 2022, SEPTA recognized OPEB expense of $11,814. At June 30, 2022, SEPTA reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (14,809)	$ 1,959
Changes of assumptions	(400,504)	188,236
Contributions subsequent to the measurement date	-	51,489
Total	$ (415,313)	$ 241,684

For the year ending June 30, 2021, SEPTA recognized OPEB expense of $24,745. At June 30, 2021, SEPTA reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (16,729)	$ 2,273
Changes of assumptions	(402,448)	217,165
Contributions subsequent to the measurement date	-	52,399
Total	$ (419,177)	$ 271,837

The deferred outflows related to the contributions made subsequent to the measurement date of $55,457 will be recognized as a reduction in the total OPEB liability in FY 2023, the remaining amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ (69,524)
2023	(69,524)
2024	(69,524)
2025	(45,766)
2026	11,918
Thereafter	17,301

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. These amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

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 $20.5 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 $960 thousand and $906 thousand for Fiscal Years 2022 and 2021, respectively. On January 1, 2018, SEPTA increased the matching contributions to the Plan for SAM employees from 10% to 25% of employee contributions with a cap of $1,000 annually.

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.

Derivate 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, 2022, the Authority was not required to post collateral for any fuel derivative agreements. At June 30, 2022, the fuel derivative instruments had a net negative market position of $1.0 million.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

11. Self-Insurance

Public 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, 2022. 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 1.0%, 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 2022 increased $5.8 million and the total liability decreased $544 thousand. The expense increase reflects a rise in the number of cases related to the recovery from the COVID-19 pandemic resulting in an increase in ridership. The expense for pollution remediation activities at various SEPTA locations where underground storage tanks were previously removed and replaced was $0.7 million for Fiscal Year 2021. 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 1.0%, 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 2022 and 2021, are as follows:

	Public Liability and Property Damage	Worker's Compensation	Totals
Balance at June 30, 2020	$ 149,842	$ 30,252	$ 180,094
Claims expense	27,882	19,450	47,332
Pollution remediation expense	731	-	731
Payment of claims	(18,113)	(18,587)	(36,700)
Payments for pollution remediation	28	-	28
Balance at June 30, 2021	160,370	31,115	191,485
Claims expense	33,696	25,851	59,547
Pollution remediation expense	-	-	-
Payment of claims	(34,240)	(24,440)	(58,680)
Payments for pollution remediation	-	-	-
Balance at June 30, 2022	$ 159,826	$ 32,526	$ 192,352
Balance at June 30, 2022 due within one year	$ 51,154	$ 15,586	$ 66,740

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

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 $600,000 per individual for any one plan year. A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of $600,000 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 2022 as follows:

	Medical Liability
Balance at June 30, 2020	$ 24,181
Claims expense	131,776
Payment of claims	(129,789)
Balance at June 30, 2021	26,168
Claims expense	118,854
Payment of claims	(123,258)
Balance at June 30, 2022	$ 21,764
Balance at June 30, 2022 due within one year	$ 21,764

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 2022 and 2021 was $62.3 million and $52.7 million, respectively. In addition, the Authority is 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 each of Fiscal Years 2022 and 2021 was $5.3 million and $5.4 million respectively.

12. Dependency on Governmental Funding

The Authority is dependent upon its external governmental funding sources to provide subsidies in amounts that keep pace with future cost increases due to inflation, infrastructure repairs, revenue fleet replacements, technological advances and changing regulatory requirements. Historically, these funding sources, cost controls, increased ridership, and passenger fare increases, have been adequate to maintain a balanced budget. 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 capital or expense levels, the negative effect on future operations could be significant. When Act 44 was enacted in 2007, the Authority anticipated that the Pennsylvania Transportation Trust Fund (“PTTF”) would provide a reliable and growing source of funds to meet future budgetary needs. In March 2010 the Pennsylvania Turnpike Commission (PTC) 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 reduced by 25 percent, or $110 million, beginning in Fiscal Year 2011. The reduced capital outlay continued into Fiscal Year 2014 with a total capital budget of $308.0 million. In 2013 the Pennsylvania General Assembly passed 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,

12. Dependency on Governmental Funding (Continued)

and multimodal transportation. In Fiscal Years 2022 and 2023, the capital budget was $713.85 million (amended by $95 million due to enactment of IIJA)) and $1,162.20 million, respectively. The increase in the Fiscal Year 2023 capital budget resulted from an increase in federal funding resulting from the November 2021 enactment of the Infrastructure Investment and Jobs Act (IIJA), also referred to as the Bipartisan Infrastructure Law (BIL), and the planned transition of Pennsylvania Act 89 Public Transportation funding sources from reliance on the Pennsylvania Turnpike Commission bonds to the state's Motor Vehicle Sales and Use Tax as of July 1, 2022. The infusion of federal capital assistance through Fiscal 2026, along with transition of state funding to a sustainable and bondable funding source allow the Authority to address its state of good repair backlog and service improvements. The Authority plans to leverage the motor sales tax revenues in order to increase the amount available to fund capital projects beginning in Fiscal Year 2023.

On March 27, 2020, the U.S. Congress passed, and the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provides emergency assistance and health care response for individuals, families and businesses affected by the COVID-19 pandemic. The Authority received $644 million in CARES Act funding, a portion of which offset the significant passenger revenue shortfall resulting from lower ridership related to the COVID-19 pandemic. Subsequently the U.S. Congress passed two more relief bills: the Coronavirus Response and Relief Supplemental Act (CRRSA) on December 27, 2020, and the American Relief Plan Act (ARPA) on March 11, 2021. The Authority is eligible to receive $252 million in CRSSA funding, and $776 million in ARPA funding

13. Subsequent Events

On October 26, 2022, the Authority issued $510.66 million par amount of Revenue Bonds, Series of 2022 (Asset Improvement Program) (the "2022 Bonds"). The 2022 Bonds are due in varying amounts with maturity dates of June 1, 2024, through and including June 1, 2052. The 2022 Bonds were issued at a premium of $43.28 million and have yields ranging between 3.00% and 4.39% and bear annual interest rates of 5.00% and 5.25%. The proceeds from the sale of the 2022 Bonds in the amount of $553.94 million were used to (a) fund various capital improvement projects across the System, including state of good repair initiatives and vehicle replacement for trolley modernization on both the Regional Rail Division and Subway/Elevated lines; (b) refinance the outstanding EB-5 debt of the Authority used to fund certain capital projects for the System; (c) reimburse the Authority for qualifying capital costs incurred prior to the issuance of the 2022 Bonds; and (d) fund costs of issuance of the 2022 Bonds.

(AMOUNTS IN THOUSANDS OF DOLLARS EXCEPT WHERE OTHERWISE STATED)

14. Restatement of Net Position

The Authority recorded the effect of applying the provisions of GASB Statement No. 87 as a restatement of ending net position as of June 30, 2021. In accordance with GASB Statement No. 87 the Authority applied the provisions of GASB Statement No. 87 to the earliest year presented in the financial statements. Net position as of June 30, 2021 increased by $1,746 as detailed below.

The effect on ending balances for June 30, 2021 is as follows:

Description	June 30, 2021 as Previously Reported	Restatement	June 30, 2021 as Restated
Lease receivable	$ -	$ 53,959	$ 53,959
Deferred Inflow of resources from Leases	-	(52,081)	(52,081)
Lease Liability		6,034	6,034
Net Position as previously reported	1,602,332	(6,166)	1,596,166
Net position	$ 1,602,332	$ 1,746	$ 1,604,078

Required Supplementary Information

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

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

2022

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Total pension liability						
Service Cost	$ 15,294	$ 1,943	$ 21,643	$ 2,391	$ 979	$ 42,250
Interest	71,234	5,232	80,157	7,242	2,366	166,231
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Effect of economic/demographic gains or losses	16,741	(231)	(2,291)	1,224	(759)	14,684
Changes of assumptions	-	4,865	-	-	-	4,865
Benefit payments, including refunds of employee contributions	(66,683)	(4,463)	(80,078)	(6,365)	(1,321)	(158,910)
Net change in total pension liability	36,586	7,346	19,431	4,492	1,265	69,120
Total pension liability - beginning	1,113,428	80,738	1,250,956	112,155	36,073	2,593,350
Total pension liability - ending (a)	$ 1,150,014	$ 88,084	$ 1,270,387	$ 116,647	$ 37,338	$ 2,662,470
Plan fiduciary net position						
Contributions - employer	$ 55,792	$ 5,052	$ 56,342	$ 5,286	$ 607	$ 123,079
Contributions - employee	5,123	624	12,220	1,303	519	19,789
Net investment income	(87,533)	(5,942)	(93,112)	(9,264)	(3,004)	(198,855)
Benefit payments, including refunds of employee contributions	(66,683)	(4,463)	(80,078)	(6,365)	(1,321)	(158,910)
Administrative expense	(176)	(12)	(195)	(17)	(7)	(407)
Other	1,956	(293)	(1,234)	(94)	(335)	-
Net change in plan fiduciary position	(91,521)	(5,034)	(106,057)	(9,151)	(3,541)	(215,304)
Plan fiduciary net position - beginning	835,948	54,401	895,790	87,790	28,879	1,902,808
Plan fiduciary net position - ending (b)	$ 744,427	$ 49,367	$ 789,733	$ 78,639	$ 25,338	$ 1,687,504
Authority's net pension liability - ending (a) - (b)	$ 405,587	$ 38,717	$ 480,654	$ 38,008	$ 12,000	$ 974,966
Plan fiduciary net position as a percentage of the total pension liability	64.73%	56.05%	62.16%	67.42%	67.86%	
Covered payroll	$ 152,330	$ 15,369	$ 308,063	$ 33,036	$ 12,241	
Authority net pension liability as a percentage of covered payroll	266.26%	251.92%	156.02%	115.05%	98.03%	

2021

	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Total pension liability						
Service Cost	$ 15,030	$ 1,561	$ 22,476	$ 2,514	$ 1,031	$ 42,612
Interest	69,217	4,687	78,652	7,060	2,228	161,844
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Effect of economic/demographic gains or losses	12,072	(566)	(6,239)	(1,396)	(136)	3,735
Changes of assumptions	(1,070)	6,530	6,515	724	235	12,934
Benefit payments, including refunds of employee contributions	(62,345)	(4,053)	(74,808)	(5,619)	(1,080)	(147,905)
Net change in total pension liability	32,904	8,159	26,596	3,283	2,278	73,220
Total pension liability - beginning	1,080,524	72,579	1,224,360	108,872	33,795	2,520,130
Total pension liability - ending (a)	$ 1,113,428	$ 80,738	$ 1,250,956	$ 112,155	$ 36,073	$ 2,593,350
Plan fiduciary net position						
Contributions - employer	$ 51,738	$ 3,756	$ 52,061	$ 4,837	$ 535	$ 112,927
Contributions - employee	5,778	624	12,479	1,366	544	20,791
Net investment income	173,409	11,345	186,074	16,838	8,318	395,984
Benefit payments, including refunds of employee contributions	(62,345)	(4,053)	(74,808)	(5,619)	(1,080)	(147,905)
Administrative expense	(381)	(25)	(419)	(37)	(17)	(879)
Other	3,095	(851)	2,862	6,533	(11,639)	-
Net change in plan fiduciary position	171,294	10,796	178,249	23,918	(3,339)	380,918
Plan fiduciary net position - beginning	664,654	43,605	717,541	63,872	32,218	1,521,890
Plan fiduciary net position - ending (b)	$ 835,948	$ 54,401	$ 895,790	$ 87,790	$ 28,879	$ 1,902,808
Authority's net pension liability - ending (a) - (b)	$ 277,480	$ 26,337	$ 355,166	$ 24,365	$ 7,194	$ 690,542
Plan fiduciary net position as a percentage of the total pension liability	75.08%	67.38%	71.61%	78.28%	80.06%	
Covered payroll	$ 149,720	$ 15,848	$ 302,518	$ 32,738	$ 12,276	
Authority net pension liability as a percentage of covered payroll	185.33%	166.19%	117.40%	74.42%	58.60%	

Note to Schedule

The Authority adopted GASB 68 on a prospective basis in Fiscal Year 2015; therefore only nine years are presented in the above schedule. The Authority's total pension liability was measured one year prior to the fiscal year-end for each year noted.

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

	2020						2019					
	SAM	**Transit Police**	**City Transit**	**Suburban Transit**	**Frontier**	**Total**	**SAM**	**Transit Police**	**City Transit**	**Suburban Transit**	**Frontier**	**Total**
Total pension liability												
Service Cost	$ 13,843	$ 1,469	$ 20,878	$ 2,370	$ 978	$ 39,538	$ 13,318	$ 1,488	$ 20,827	$ 2,310	$ 978	$ 38,921
Interest	67,219	4,429	78,439	6,891	2,201	159,179	65,572	3,995	76,742	6,638	2,091	155,038
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	19,442	2,368	(9,630)	(25)	(1,951)	10,204	741	4,592	(2,369)	361	(1,413)	1,912
Changes of assumptions	27,443	2,101	30,191	2,890	951	63,576	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(57,882)	(3,802)	(72,215)	(5,843)	(35)	(139,777)	(53,726)	(3,462)	(68,074)	(5,398)	(22)	(130,682)
Net change in total pension liability	70,065	6,565	47,663	6,283	2,144	132,720	25,905	6,613	27,126	3,911	1,634	65,189
Total pension liability - beginning	1,010,459	66,014	1,176,697	102,589	31,651	2,387,410	984,554	59,401	1,149,571	98,678	30,017	2,322,221
Total pension liability - ending (a)	$ 1,080,524	$ 72,579	$ 1,224,360	$ 108,872	$ 33,795	$ 2,520,130	$ 1,010,459	$ 66,014	$ 1,176,697	$ 102,589	$ 31,651	$ 2,387,410
Plan fiduciary net position												
Contributions - employer	$ 49,025	$ 3,522	$ 52,860	$ 4,784	$ 675	$ 110,866	$ 45,390	$ 2,401	$ 53,739	$ 4,756	$ 782	$ 107,068
Contributions - employee	4,714	611	13,111	1,389	548	20,373	4,754	569	12,935	1,449	577	20,284
Net investment income	16,986	1,103	18,314	1,623	819	38,845	36,566	2,369	39,733	3,474	1,708	83,850
Benefit payments, including refunds of employee contributions	(57,882)	(3,802)	(72,215)	(5,843)	(35)	(139,777)	(53,726)	(3,462)	(68,074)	(5,398)	(22)	(130,682)
Administrative expense	(270)	(18)	(301)	(26)	(12)	(627)	(310)	(21)	(353)	(30)	(13)	(727)
Other	1,622	134	(1,334)	(178)	(244)	-	493	(98)	(391)	141	(145)	-
Net change in plan fiduciary position	14,195	1,550	10,435	1,749	1,751	29,680	33,167	1,758	37,589	4,392	2,887	79,793
Plan fiduciary net position - beginning	650,459	42,055	707,106	62,123	30,467	1,492,210	617,292	40,297	669,517	57,731	27,580	1,412,417
Plan fiduciary net position - ending (b)	$ 664,654	$ 43,605	$ 717,541	$ 63,872	$ 32,218	$ 1,521,890	$ 650,459	$ 42,055	$ 707,106	$ 62,123	$ 30,467	$ 1,492,210
Authority's net pension liability - ending (a) - (b)	$ 415,870	$ 28,974	$ 506,819	$ 45,000	$ 1,577	$ 998,240	$ 360,000	$ 23,959	$ 469,591	$ 40,466	$ 1,184	$ 895,200
Plan fiduciary net position as a percentage of the total pension liability	61.51%	60.08%	58.61%	58.67%	95.33%		64.37%	63.71%	60.09%	60.56%	96.26%	
Covered payroll	$ 146,821	$ 15,181	$ 290,533	$ 32,412	$ 12,245		$ 146,821	$ 13,928	$ 290,533	$ 32,412	$ 12,245	
Authority net pension liability as a percentage of covered payroll	283.25%	190.86%	174.44%	138.84%	12.88%		245.20%	172.02%	161.63%	124.85%	9.67%	

Note to Schedule

The Authority adopted GASB 68 on a prospective basis in Fiscal Year 2015; therefore only nine years are presented in the above schedule. The Authority's total pension liability was measured one year prior to the fiscal year-end for each year noted.

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

	2018						2017					
	SAM	**Transit Police**	**City Transit**	**Suburban Transit**	**Frontier**	**Total**	**SAM**	**Transit Police**	**City Transit**	**Suburban Transit**	**Frontier**	**Total**
Total pension liability												
Service Cost	$ 12,537	$ 1,374	$ 20,290	$ 2,160	$ 939	$ 37,300	$ 12,109	$ 1,293	$ 17,226	$ 1,793	$ 782	$ 33,203
Interest	64,051	3,544	78,398	6,599	2,044	154,636	61,150	3,240	70,978	5,871	1,732	142,971
Changes of benefit terms	-	-	-	-	-	-	-	-	84,481	8,055	3,013	95,549
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	4,154	2,720	(13,859)	763	(1,265)	(7,487)	16,641	2,340	(8,980)	(772)	(1,197)	8,032
Changes of assumptions	26,983	4,057	(2,899)	(330)	58	27,869	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(50,448)	(3,042)	(63,010)	(5,160)	(24)	(121,684)	(47,359)	(2,208)	(58,592)	(4,677)	(36)	(112,872)
Net change in total pension liability	57,277	8,653	18,920	4,032	1,752	90,634	42,541	4,665	105,113	10,270	4,294	166,883
Total pension liability - beginning	927,277	50,748	1,130,651	94,646	28,265	2,231,587	884,736	46,083	1,025,538	84,376	23,971	2,064,704
Total pension liability - ending (a)	$ 984,554	$ 59,401	$ 1,149,571	$ 98,678	$ 30,017	$ 2,322,221	$ 927,277	$ 50,748	$ 1,130,651	$ 94,646	$ 28,265	$ 2,231,587
Plan fiduciary net position												
Contributions - employer	$ 44,190	$ 2,026	$ 56,025	$ 4,785	$ 945	$ 107,971	$ 42,061	$ 1,692	$ 45,769	$ 3,821	$ 641	$ 93,984
Contributions - employee	4,764	538	12,999	1,435	592	20,328	4,558	579	12,923	1,364	563	19,987
Net investment income	55,398	3,640	59,913	5,120	2,413	126,484	62,313	4,157	67,353	5,700	2,612	142,135
Benefit payments, including refunds of employee contributions	(50,448)	(3,042)	(63,010)	(5,160)	(24)	(121,684)	(47,359)	(2,208)	(58,592)	(4,677)	(36)	(112,872)
Administrative expense	(254)	(18)	(292)	(25)	(10)	(599)	(222)	(16)	(258)	(22)	(9)	(527)
Other	2,143	(142)	(2,001)	146	(146)	-	1,360	(114)	(773)	(172)	(301)	-
Net change in plan fiduciary position	55,793	3,002	63,634	6,301	3,770	132,500	62,711	4,090	66,422	6,014	3,470	142,707
Plan fiduciary net position - beginning	561,499	37,295	605,883	51,430	23,810	1,279,917	498,788	33,205	539,461	45,416	20,340	1,137,210
Plan fiduciary net position - ending (b)	$ 617,292	$ 40,297	$ 669,517	$ 57,731	$ 27,580	$ 1,412,417	$ 561,499	$ 37,295	$ 605,883	$ 51,430	$ 23,810	$ 1,279,917
Authority's net pension liability - ending (a) - (b)	$ 367,262	$ 19,104	$ 480,054	$ 40,947	$ 2,437	$ 909,804	$ 365,778	$ 13,453	$ 524,768	$ 43,216	$ 4,455	$ 951,670
Plan fiduciary net position as a percentage of the total pension liability	62.70%	67.84%	58.24%	58.50%	91.88%		60.55%	73.49%	53.59%	54.34%	84.24%	
Covered payroll	$ 140,563	$ 14,312	$ 289,290	$ 31,722	$ 12,204		$ 140,105	$ 14,548	$ 290,384	$ 30,390	$ 11,976	
Authority net pension liability as a percentage of covered payroll	261.28%	133.48%	165.94%	129.08%	19.97%		261.07%	92.47%	180.72%	142.20%	37.20%	

Note to Schedule

The Authority adopted GASB 68 on a prospective basis in Fiscal Year 2015; therefore only nine years are presented in the above schedule. The Authority's total pension liability was measured one year prior to the fiscal year-end for each year noted.

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

	2016						2015					
	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total	SAM	Transit Police	City Transit	Suburban Transit	Frontier	Total
Total pension liability												
Service Cost	$ 12,185	$ 1,248	$ 17,039	$ 1,747	$ 791	$ 33,010	$ 10,313	$ 1,231	$ 16,578	$ 1,714	$ 808	$ 30,644
Interest	59,114	3,071	69,344	5,712	1,663	138,904	55,466	2,956	68,844	5,653	1,592	134,511
Changes of benefit terms	4,469	-	-	-	-	4,469	27,068	-	1,260	92	42	28,462
Differences between expected and actual experience	-	-	-	-	-	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	(1,194)	(182)	(6,016)	(767)	(1,424)	(9,583)	16,583	(508)	(6,149)	(1,044)	(673)	8,209
Changes of assumptions	-	-	-	-	-	-	9,047	380	14,847	1,383	82	25,739
Benefit payments, including refunds of employee contributions	(43,546)	(1,323)	(56,122)	(4,244)	(35)	(105,270)	(38,340)	(643)	(53,243)	(4,179)	(58)	(96,463)
Net change in total pension liability	31,028	2,814	24,245	2,448	995	61,530	80,137	3,416	42,137	3,619	1,793	131,102
Total pension liability - beginning	853,708	43,269	1,001,293	81,928	22,976	2,003,174	773,571	39,853	959,156	78,309	21,183	1,872,072
Total pension liability - ending (a)	$ 884,736	$ 46,083	$ 1,025,538	$ 84,376	$ 23,971	$ 2,064,704	$ 853,708	$ 43,269	$ 1,001,293	$ 81,928	$ 22,976	$ 2,003,174
Plan fiduciary net position												
Contributions - employer	$ 37,334	$ 1,737	$ 46,986	$ 3,920	$ 770	$ 90,747	$ 37,122	$ 1,708	$ 47,321	$ 3,877	$ 796	$ 90,824
Contributions - employee	2,134	568	9,249	937	377	13,265	1,141	618	9,719	984	401	12,863
Net investment income	(9,265)	(584)	(9,883)	(809)	(345)	(20,886)	12,129	784	13,034	1,081	467	27,495
Benefit payments, including refunds of employee contributions	(43,546)	(1,323)	(56,122)	(4,244)	(35)	(105,270)	(38,340)	(643)	(53,243)	(4,179)	(58)	(96,463)
Administrative expense	(206)	(15)	(258)	(21)	(8)	(508)	(172)	(11)	(209)	(19)	(10)	(421)
Other	1,736	(610)	(949)	164	(341)	-	522	(196)	145	(356)	(115)	-
Net change in plan fiduciary position	(11,813)	(227)	(10,977)	(53)	418	(22,652)	12,402	2,260	16,767	1,388	1,481	34,298
Plan fiduciary net position - beginning	510,601	33,432	550,438	45,469	19,922	1,159,862	498,199	31,172	533,671	44,081	18,441	1,125,564
Plan fiduciary net position - ending (b)	$ 498,788	$ 33,205	$ 539,461	$ 45,416	$ 20,340	$ 1,137,210	$ 510,601	$ 33,432	$ 550,438	$ 45,469	$ 19,922	$ 1,159,862
Authority's net pension liability - ending (a) - (b)	$ 385,948	$ 12,878	$ 486,077	$ 38,960	$ 3,631	$ 927,494	$ 343,107	$ 9,837	$ 450,855	$ 36,459	$ 3,054	$ 843,312
Plan fiduciary net position as a percentage of the total pension liability	56.38%	72.05%	52.60%	53.83%	84.85%		59.81%	77.27%	54.97%	55.50%	86.71%	
Covered payroll	$ 132,095	$ 13,695	$ 288,333	$ 30,149	$ 11,866		$ 136,146	$ 13,717	$ 273,009	$ 28,141	$ 11,522	
Authority net pension liability as a percentage of covered payroll	292.17%	94.03%	168.58%	129.22%	30.60%		252.01%	71.71%	165.14%	129.56%	26.51%	

Note to Schedule

The Authority adopted GASB 68 on a prospective basis in Fiscal Year 2015; therefore only nine years are presented in the above schedule. The Authority's total pension liability was measured one year prior to the fiscal year-end for each year noted.

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

	2014					
	SAM	**Transit Police**	**City Transit**	**Suburban Transit**	**Frontier**	**Total**
Total pension liability						
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)
Net change in total pension liability	27,186	3,532	30,871	3,462	1,625	66,676
Total pension liability - beginning	746,385	36,321	928,285	74,847	19,558	1,805,396
Total pension liability - ending (a)	$ 773,571	$ 39,853	$ 959,156	$ 78,309	$ 21,183	$ 1,872,072
Plan fiduciary net position						
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)	-
Net change in plan fiduciary position	72,048	5,828	80,944	7,003	3,479	169,302
Plan fiduciary net position - beginning	426,151	25,344	452,727	37,078	14,962	956,262
Plan fiduciary net position - ending (b)	$ 498,199	$ 31,172	$ 533,671	$ 44,081	$ 18,441	$ 1,125,564
Authority's net pension liability - ending (a) - (b)	$ 275,372	$ 8,681	$ 425,485	$ 34,228	$ 2,742	$ 746,508
Plan fiduciary net position as a percentage of the total pension liability	64.40%	78.22%	55.64%	56.29%	87.06%	
Covered payroll	$ 133,250	$ 13,605	$ 264,860	$ 26,750	$ 10,756	
Authority net pension liability as a percentage of covered payroll	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 nine years are presented in the above schedule. The Authority's total pension

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

SAM	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contributions	$ 55,792	$ 51,738	$ 49,025	$ 45,390	$ 44,190	$ 42,060	$ 37,334	$ 37,122	$ 35,353	$ 34,550
Contributions in relation to the actuarially determined employer contribution	55,792	51,738	49,025	45,390	44,190	42,060	37,334	37,122	35,353	34,550
Employer contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 152,330	$ 149,720	$ 146,821	$ 140,563	$ 140,105	$ 132,095	$ 130,848	$ 136,146	$ 133,250	$ 130,846
Employer contributions as a percentage of covered payroll	36.63%	34.56%	33.39%	32.29%	31.54%	31.84%	28.53%	27.27%	26.53%	26.41%

TRANSIT POLICE	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contributions	$ 5,052	$ 3,756	$ 3,521	$ 2,401	$ 2,025	$ 1,692	$ 1,737	$ 1,652	$ 1,444	$ 1,389
Contributions in relation to the actuarially determined employer contribution	5,052	3,756	3,521	2,401	2,025	1,692	1,737	1,652	1,388	1,389
Employer contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 56	$ -
Covered payroll	$ 15,369	$ 13,748	$ 13,928	$ 14,312	$ 14,548	$ 13,695	$ 13,268	$ 13,717	$ 13,606	$ 13,513
Employer contributions as a percentage of covered payroll	32.87%	27.32%	25.28%	16.78%	13.92%	12.35%	13.09%	12.04%	10.61%	10.28%

CITY TRANSIT	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contributions	$ 56,342	$ 52,061	$ 52,860	$ 53,739	$ 56,025	$ 45,401	$ 46,282	$ 47,017	$ 47,588	$ 49,218
Contributions in relation to the actuarially determined employer contribution	56,342	52,061	52,860	53,739	56,025	45,401	46,282	47,017	47,588	49,218
Employer contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 308,063	$ 302,518	$ 290,533	$ 289,290	$ 290,384	$ 288,333	$ 279,978	$ 273,009	$ 264,860	$ 256,667
Employer contributions as a percentage of covered payroll	18.29%	17.21%	18.19%	18.58%	19.29%	15.75%	16.53%	17.22%	17.97%	19.18%

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)

SUBURBAN TRANSIT	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contributions	$ 5,286	$ 4,837	$ 4,784	$ 4,756	$ 4,785	$ 3,777	$ 3,888	$ 3,860	$ 3,805	$ 3,805
Contributions in relation to the actuarially determined employer contribution	5,286	4,837	4,784	4,756	4,785	3,777	3,888	3,860	3,805	3,805
Employer contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 33,036	$ 32,738	$ 32,412	$ 31,722	$ 30,390	$ 30,149	$ 28,882	$ 28,141	$ 26,750	$ 26,750
Employer contributions as a percentage of covered payroll	16.00%	14.77%	14.76%	14.99%	15.75%	12.53%	13.46%	13.72%	14.22%	14.22%

FRONTIER	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contributions	$ 607	$ 535	$ 675	$ 782	$ 945	$ 631	$ 757	$ 779	$ 809	$ 921
Contributions in relation to the actuarially determined employer contribution	607	535	675	782	945	631	757	779	809	921
Employer contributions deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 12,241	$ 12,276	$ 12,245	$ 12,204	$ 11,976	$ 11,866	$ 11,699	$ 11,522	$ 10,756	$ 10,239
Employer contributions as a percentage of covered payroll	4.96%	4.36%	5.51%	6.41%	7.89%	5.32%	6.47%	6.76%	7.52%	9.00%

Notes to Schedule

Valuation date: January 1, 2020

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	22 years
Asset valuation method	Market value less unrecognized gains/losses over a 5-year period
Inflation	2.50%
Salary increases	SAM - 3.00% Transit Police, City Transit, Suburban Transit and Frontier - Salary scale rates vary by years of service for actuarial valuation purposes .5% plus inflation
Investment rate of return	6.5% net of pension plan investment expense
Retirement age	SAM - For Plan members hired prior to August 1, 2015 that have attained age 62 with 5 years service or age 55 with 30 years of service. If hired after August 1, 2015, Plan members that have attained age 65 with 10 years service or age 60 with 30 years of service. Transit Police - Plan members that have attained age 50 with 25 years of service 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	Mortality rates for all plans were based on the RP-2006 Annuitant Tables for Males and Females with adjustments for mortality improvements equal to 60 year average of Social Security data from 1936 to 2015. 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.
Effective in 2015, and based upon the results of an experience study for the period January 1, 2007 through December 31, 2013, termination rates and rates of retirement for members between the ages of 62 and 64 were reduced. In addition, the assumed rate of inflation and the rate of return on investment were both reduced by .25%.
Effective in 2019, the Mortality tables were updated from the RP-2000 Annuitant Tables to the RP-2006 Annuitant Tables and the investment rate of return was decreased from 7.0% to 6.75%.
Effective in 2021, the investment rate of return was decreased from 6.75% to 6.50%.

SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN TRUST FUNDS
SCHEDULE OF INVESTMENT RETURNS - LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
SAM										
Average money-weighted rate of return, net of investment expense	-10.54%	26.27%	2.63%	5.97%	9.91%	12.55%	-1.83%	2.44%	16.52%	N/A
TRANSIT POLICE										
Average money-weighted rate of return, net of investment expense	-10.84%	26.15%	2.62%	5.94%	9.86%	12.52%	-1.73%	2.46%	16.42%	N/A
CITY TRANSIT										
Average money-weighted rate of return, net of investment expense	-10.50%	26.26%	2.61%	5.97%	9.89%	12.55%	-1.80%	2.44%	16.51%	N/A
SUBURBAN TRANSIT										
Average money-weighted rate of return, net of investment expense	-10.57%	26.34%	2.62%	6.01%	9.90%	12.55%	-1.78%	2.44%	16.53%	N/A
FRONTIER										
Average money-weighted rate of return, net of investment expense	-10.48%	26.24%	2.64%	6.07%	9.88%	12.57%	-1.69%	2.47%	16.58%	N/A

The Authority adopted GASB 84 in Fiscal Year 2021, therefore only nine years of data is available.

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

	Fiscal Year Ending June 30									
	2022	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Total OPEB liability										
Service Cost	$ 47,814	$ 38,396	$ 36,960	$ 39,473	$ 65,131	n/a	n/a	n/a	n/a	n/a
Interest on total OPEB liability	33,524	44,438	46,130	43,775	53,562	n/a	n/a	n/a	n/a	n/a
Changes of benefit terms	-	-	(1,066)	-	(16,096)	n/a	n/a	n/a	n/a	n/a
Effect of economic/demographic gains or (losses)	(1,588)	2,101	(4,974)	631	(23,876)	n/a	n/a	n/a	n/a	n/a
Effect of assumption changes or inputs	(93,315)	203,043	48,644	(65,851)	(665,096)	n/a	n/a	n/a	n/a	n/a
Benefit payments	(48,756)	(51,372)	(47,515)	(45,123)	(44,069)	n/a	n/a	n/a	n/a	n/a
Net change in total OPEB liability	(62,321)	236,606	78,179	(27,095)	(630,444)	n/a	n/a	n/a	n/a	n/a
Total OPEB liability - beginning	1,493,341	1,256,735	1,178,556	1,205,651	1,836,095	n/a	n/a	n/a	n/a	n/a
Total OPEB liability - ending	1,431,020	1,493,341	1,256,735	1,178,556	1,205,651	n/a	n/a	n/a	n/a	n/a
Covered payroll	$ 611,609	$ 590,383	$ 590,383	$ 582,548	$ 582,548	n/a	n/a	n/a	n/a	n/a
Total OPEB liability as a % of covered payroll	233.98%	252.94%	212.87%	202.31%	206.96%	n/a	n/a	n/a	n/a	n/a

Notes to Schedule

Changes of Benefit Terms

For 2018, the health plan election percentage was modified for Union and SAM retirements due to plan changes. For 2020, amounts presented reflect changes in duration for the Transit Police medical benefits and a change in the duration of medical and prescription benefits for union rail members excluding TCU and a change in duration of medical benefits for union and TCU members in 2017.

Changes of Assumptions

For 2018, various healthcare assumptions have been updated including the per capita claim cost assumption, health cost trend assumption, and the loads for children.
The dependent coverage assumption for female employees was increased from 30% to 35%.
The promotion assumption was revised for members who are assumed to be promoted to SAM.

For 2019, the mortality tables were updated from RP-2000 Annuitant Tables to the RP-2006 Annuitant Tables and the discount rate was changed from 3.58% to 3.87%.

For 2020, healthcare assumptions including per capita costs, including load for children, and trend assumptions was updated based on recent claim experience, premium rates and future expectations.
For members eligible to make an election between the Personal Choice PPO plan and the Keystone HMO plan, the percentage was increased to 70% electing the PPO plan.
The assumed percentage of female retirees electing dependent coverage was increased from 35% to 40%.
The discount rate was changed from 3.87% to 3.50%.

For 2021, the discount rate decreased from 3.50% to 2.21%, which increased the liability.
For 2022, the discount rate decreased from 2.21% to 2.16% due to healthcare related assumptions, salary, termination and retirement were updated based on the 2014-2018 experience study.

The Authority adopted GASB 75 on a prospective basis in Fiscal Year 2018; therefore only five years are presented in this schedule.

No assets are accumulated in a trust that meets criteria in paragraph 4 of GASB Statement No. 75.

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, 2022					
	SAM Plan	Transit Police Plan	City Transit Plan	Suburban Transit Plan	Frontier Plan	Total
Assets:						
Receivables						
Plan member contributions	$ 377	$ 44	$ 1,205	$ 122	$ 49	$ 1,797
Employer contribution receivable	-	-	-	-	-	-
Interest and dividends	1,203	80	1,275	127	41	2,726
Sales pending settlement	4,610	305	4,879	487	158	10,439
Total receivables	6,190	429	7,359	736	248	14,962
Cash equivalents and Investments, at fair value						
Cash equivalents	25,648	1,700	27,181	2,707	872	58,108
Alternative	75,144	4,980	79,636	7,930	2,554	170,244
Corporate and other government obligations	141,078	9,354	149,515	14,887	4,795	319,629
Preferred stocks	65	4	69	7	2	147
Common stocks	398,976	26,449	422,827	42,102	13,560	903,914
Private equity	62,358	4,134	66,086	6,580	2,119	141,277
Real estate	38,023	2,520	40,296	4,012	1,292	86,143
Natural resources	1,862	123	1,973	197	63	4,218
Total Investments	743,154	49,264	787,583	78,422	25,257	1,683,680
Total assets	749,344	49,693	794,942	79,158	25,505	1,698,642
Liabilities:						
Purchases pending settlement	4,917	326	5,209	519	167	11,138
Net position restricted for pensions	$ 744,427	$ 49,367	$ 789,733	$ 78,639	$ 25,338	$ 1,687,504

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, 2022					
	SAM Plan	Transit Police Plan	City Transit Plan	Suburban Transit Plan	Frontier Plan	Total
Additions						
Contributions						
Employer (ADC)	$ 55,792	$ 5,052	$ 56,342	$ 5,286	$ 607	$ 123,079
Plan member	5,123	624	12,220	1,303	519	19,789
Other	-	-	-	-	-	-
Total contributions	60,915	5,676	68,562	6,589	1,126	142,868
Investment income (loss)						
Net realized gain	33,691	2,227	35,953	3,560	1,166	76,597
Net (decrease) in fair value of investments	(130,308)	(8,772)	(138,757)	(13,783)	(4,484)	(296,104)
Interest	4,785	316	5,108	505	166	10,880
Dividends	5,870	390	6,262	620	202	13,344
Total investment gain (loss)	(85,962)	(5,839)	(91,434)	(9,098)	(2,950)	(195,283)
Less investment expense	1,571	103	1,678	166	54	3,572
Net investment income (loss)	(87,533)	(5,942)	(93,112)	(9,264)	(3,004)	(198,855)
Total additions	(26,618)	(266)	(24,550)	(2,675)	(1,878)	(55,987)
Deductions						
Benefits	66,683	4,463	80,078	6,365	1,321	158,910
Asset transfer for transferred employees	(1,956)	293	1,234	94	335	-
Administrative expense	176	12	195	17	7	407
Total deductions	64,903	4,768	81,507	6,476	1,663	159,317
Net increase (decrease)	(91,521)	(5,034)	(106,057)	(9,151)	(3,541)	(215,304)
Net position restricted for pensions						
Beginning of year	835,948	54,401	895,790	87,790	28,879	1,902,808
End of year	$ 744,427	$ 49,367	$ 789,733	$ 78,639	$ 25,338	$ 1,687,504

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

	as of June 30, 2021					
	SAM Plan	Transit Police Plan	City Transit Plan	Suburban Transit Plan	Frontier Plan	Total
Assets:						
Receivables						
Plan member contributions	$ 612	$ 45	$ 1,217	$ 128	$ 46	$ 2,048
Employer Contribution receivable	-	-	-	-	-	-
Interest and dividends	1,020	66	1,094	107	35	2,322
Sales pending settlement	5,292	344	5,679	556	183	12,054
Total receivables	6,924	455	7,990	791	264	16,424
Cash equivalents and Investments, at fair value						
Cash equivalents	24,866	1,616	26,669	2,612	860	56,623
Alternative	67,106	4,366	71,854	7,041	2,316	152,683
Corporate and other government obligations	163,112	10,649	173,608	17,046	5,592	370,007
Preferred stocks	73	5	78	8	3	167
Common stocks	475,348	30,899	509,805	49,932	16,435	1,082,419
Private equity	66,245	4,306	71,047	6,959	2,290	150,847
Real estate	37,551	2,441	40,273	3,944	1,298	85,507
Natural resources	1,604	104	1,720	168	55	3,651
Total Investments	835,905	54,386	895,054	87,710	28,849	1,901,904
Total assets	842,829	54,841	903,044	88,501	29,113	1,918,328
Liabilities:						
Purchases pending settlement	6,881	440	7,254	711	234	15,520
Net position restricted for pensions	$ 835,948	$ 54,401	$ 895,790	$ 87,790	$ 28,879	$ 1,902,808

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, 2021					
	SAM Plan	Transit Police Plan	City Transit Plan	Suburban Transit Plan	Frontier Plan	Total
Additions						
Contributions						
Employer (ADC)	$ 51,738	$ 3,756	$ 52,061	$ 4,837	$ 535	$ 112,927
Plan member	5,777	624	12,478	1,366	544	20,789
Other	-	-	-	-	-	-
Total contributions	57,515	4,380	64,539	6,203	1,079	133,716
Investment income (loss)						
Net realized gain	33,450	2,201	35,878	3,251	1,617	76,397
Net increase (decrease) in fair value of investments	131,759	8,608	141,394	12,783	6,319	300,863
Interest	4,160	272	4,462	405	198	9,497
Dividends	5,628	368	6,042	552	262	12,852
Total investment (loss)	174,997	11,449	187,776	16,991	8,396	399,609
Less investment expense	1,587	104	1,702	153	77	3,623
Net investment (loss)	173,410	11,345	186,074	16,838	8,319	395,986
Total additions	230,925	15,725	250,613	23,041	9,398	529,702
Deductions						
Benefits	62,345	4,053	74,808	5,619	1,080	147,905
Asset transfer for transferred employees	(3,095)	851	(2,862)	(6,533)	11,639	-
Administrative expense	381	25	419	37	17	879
Total deductions	59,631	4,929	72,365	(877)	12,736	148,784
Net increase (decrease)	171,294	10,796	178,248	23,918	(3,338)	380,918
Net position restricted for pensions						
Beginning of year	664,654	43,605	717,542	63,872	32,217	1,521,890
End of year	$ 835,948	$ 54,401	$ 895,790	$ 87,790	$ 28,879	$ 1,902,808