

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
201906

Resolution:
☒ Yes ☐ No

TITLE:

Accounting Treatment for Replacement Costs

PRESENTATION SUMMARY:

WMATA has \$259 million in prior year uncollectible FTA receivables. GAAP requires that WMATA write-off this receivable from its balance sheet. Current internal policy requires Board approval for write-offs in excess of \$100,000. WMATA is requesting Board approval of the consent resolution to appropriately approve and account for the transaction in its FY2017 financial statements.

This transaction will not result in any additional jurisdictional subsidy requirements for FY2017 or FY2018.

PURPOSE:

WMATA is requesting Board approval of the consent resolution to appropriately approve and account for the write-off of \$259 million in federal receivables in WMATA's FY2017 financial statements.

DESCRIPTION:

Key Highlights:

The write-off transaction will not result in any additional jurisdictional operating or capital subsidy requirements for FY2017 or FY2018.

Background and History:

WMATA has \$259 million in prior year unreimbursed, uncollectible federal grant receivables. WMATA and the Federal Transit Administration (FTA) agreed that these amounts should be removed from the grants and funded by nonfederal funding sources. The removal of these costs created additional capacity on the grants, which were used to fund new costs. WMATA collected some of these costs in FY2017 and will collect the balance in FY2018.

To properly account for the uncollectible costs in accordance with general accepted accounting principles, WMATA must write-off the \$259 million in existing federal receivables from its balance sheet. Current internal policy requires Board approval for receivable write-offs in excess of \$100,000. This

approval needs to occur before the external independent auditors issue their opinion on the FY2017 financial statements in October.

Note: While the financial system currently reflects \$259 million in actual costs to be written-off, preliminary estimates of those costs totaled \$281 million. Since these transactions are still under review and audit, we are requesting approval to write-off *up to* \$281 million in case an audit adjustment is required that increases the amount to write-off.

Discussion:

Not applicable. Refer to background and history and additional information included in the attachments.

FUNDING IMPACT:

The written-off costs will be funded by other non-federal funding sources. The capacity created on the new grants will allow "replacement costs" during FY17 and FY18. At the conclusion of the processing, a cumulative, net zero impact will result. The transaction will not result in any additional subsidy requirements.

TIMELINE:

Upon approval, the resolution will support the journal entry removing the receivable. This approval needs to occur before the external independent auditors issue their opinion on the FY2017 financial statements in October.

RECOMMENDATION:

The Board authorize the prior year write-offs of up to \$281 million for the unreimbursed FTA grant funds provided that there is no net increase to the jurisdictional subsidy.

To accelerate the receipt of the FTA grant funds, this Resolution should be effective immediately.

**SUBJECT: ACCOUNTING TREATMENT FOR REPLACEMENT OF UNREIMBURSED FTA
GRANT COSTS**

2017-41

**RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, Internal procedures require Board of Directors approval for account receivable write-offs in excess of \$100,000; and

WHEREAS, Board Resolution 2017-11 granted the General Manager/Chief Executive Officer the ability to make changes to the Fiscal Year (FY) 2017 and 2018 budgets in furtherance of the recovery of the unreimbursed Federal Transit Authority (FTA) grant funds, but did not expressly authorize the prior-year write-off of the accounts receivable amounts; and

WHEREAS, One step in the process of recovering the unreimbursed FTA grant funds is to write-off the prior-year receivables in an estimated amount of \$281 million with such funds recovered during FY2018; now, therefore, be it

RESOLVED, That the Board of Directors hereby authorizes the prior-year write-offs of up to \$281 million for the unreimbursed FTA grant funds, provided that there is no net increase to the jurisdictional subsidy; and be it finally

RESOLVED, That to accelerate the receipt of the FTA grant funds, this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.:
9.7.1 Accounts Receivable Collection

Motioned by Mr. Evans, seconded by Mr. Goldman

Ayes: 8 – Mr. Evans, Ms. Harley, Mr. Corcoran, Mr. McMillin, Mr. Price, Mr. Goldman, Mrs. Hudgins and Mr. Horner