Metropolitan Transit Authority of Harris County, Texas
Annual Comprehensive Financial Report
For the Years Ended
September 30, 2022 and 2021

(Fiscal Year Begins on October 1 and Ends on September 30)

Prepared by the Metropolitan Transit Authority
Of Harris County, Texas
Office of the Controller

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Introductory Section

This section provides an overview of the Metropolitan Transit Authority of Harris County, Texas (METRO) financial activities during the year and discusses management's responsibilities for quality financial reporting. This section is more useful when read in conjunction with the rest of the report.

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

March 17, 2023

Letter from the Chief Financial Officer to the Board of Directors
Metropolitan Transit Authority of Harris County, Texas (METRO)
and members of METRO's Service Area

I am pleased to present METRO's Annual Comprehensive Financial Report (ACFR) for the year ended September 30, 2022 (FY2022). This report represents the highest form of external financial reporting and has been developed by the Finance Department with support from other groups within METRO. METRO is responsible for the information presented in this report.

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

METRO operates 1,558 transit vehicles, 76 rail cars and manages various mobility programs which includes, METRO STAR Vanpool, METROLift, High Occupancy Vehicle/High Occupancy Toll Lanes, Bikes-on-Bus/Train program, and Park & Ride lots. In addition to these programs, METRO provides funding to local governments under the General Mobility Program for their road improvements and congestion mitigation activities. Payments under these two programs are reported as local infrastructure assistance on the Statement of Revenues, Expenses and Changes in Net Position.

METRO's revenue sources include a 1% local sales tax imposed across the service area, fares, and federal grants. Approximately 25% of the local sales tax collected during the year, adjusted for certain limits established in FY2014, is allocated to the General Mobility Program. This program assists local governments in congestion mitigation and maintaining their infrastructure assets many of which are used by METRO. Funding for this program will expire during FY2040.

METRO's daily focus is on providing safe, clean, reliable, accessible and friendly public transportation services to our region. During FY2022 METRO experienced its first increase in ridership since FY2020 as more individuals were returning to working on site. METRO foresees a bright future and continues to work closely with governmental agencies, local leaders and our customers in developing integrated transportation solutions, regional fare system, and mobility programs that meet the current and future needs of the region and our customers. Some of the major programs include:

- The METRONext Moving Forward Plan continues to make progress. This $7.5 billion complex, integrated, and multi-year program is being coordinated with stakeholders through-out the area and will cover 500 miles. This plan will help ease traffic congestion by taking more cars off the road while giving riders multiple ways to move around the region. Please visit METRO's home page for additional information on this major program.

- To enhance safety, security and provide a better ride METRO is expanding its use of security monitors on buses. Additional monitors will be located at each passenger door and include two 32-inch monitors in the front and rear passenger cabins.

- METRO's climate action plan was awarded a $21 million grant from the Federal Transit Administration (FTA) to purchase and maintain battery-powered buses and chargers.

Financial Transparency - A key to good governance

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

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

METRO's commitment to financial transparency goes beyond monthly financial reporting at Board/Committee meetings and is reflected in the type, quality and location of financial information, including awards, listed on METRO's web page. Financial reporting awards include: the Certificate of Achievement for Excellence in Financial Reporting for METRO's Annual Comprehensive Financial Report for 30 consecutive years, nine consecutive years for METRO's two defined benefit pension plans, and four consecutive years for the Distinguished Budget Presentation award. In addition, METRO continues to make top grades (AAA) in creditworthiness according to major credit rating agencies. METRO also participates in the State of Texas Transparency Star program and has earned the following:

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

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

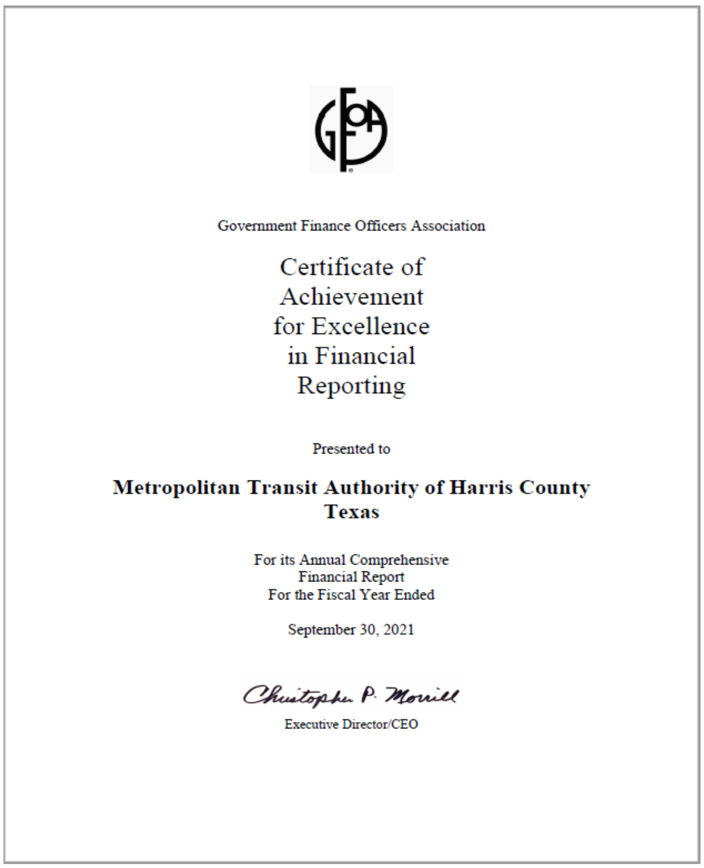
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

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

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

Other Information

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to METRO for its September 30, 2021 ACFR. To win this award you must publish an easily readable and efficiently organized ACFR which meets both generally accepted accounting principles and applicable legal requirements.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Metropolitan Transit Authority of Harris County Texas

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

September 30, 2021

Christopher P. Morrill

Executive Director/CEO

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

Contact Information

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

Acknowledgments

METRO's management expresses its appreciation to the employees and the Board of Directors for their commitment in making this one of the best transit agencies in the nation. Additional information can be found in the Management's Discussion and Analysis section, which starts on page 11.

George Fotinos
Chief Financial Officer

Board of Directors

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


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


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


Roberto Treviño, P.E. Second Vice-Chair (H)


Troi Taylor Secretary (C)


Lex Frieden (C)


Bob Fry (M)

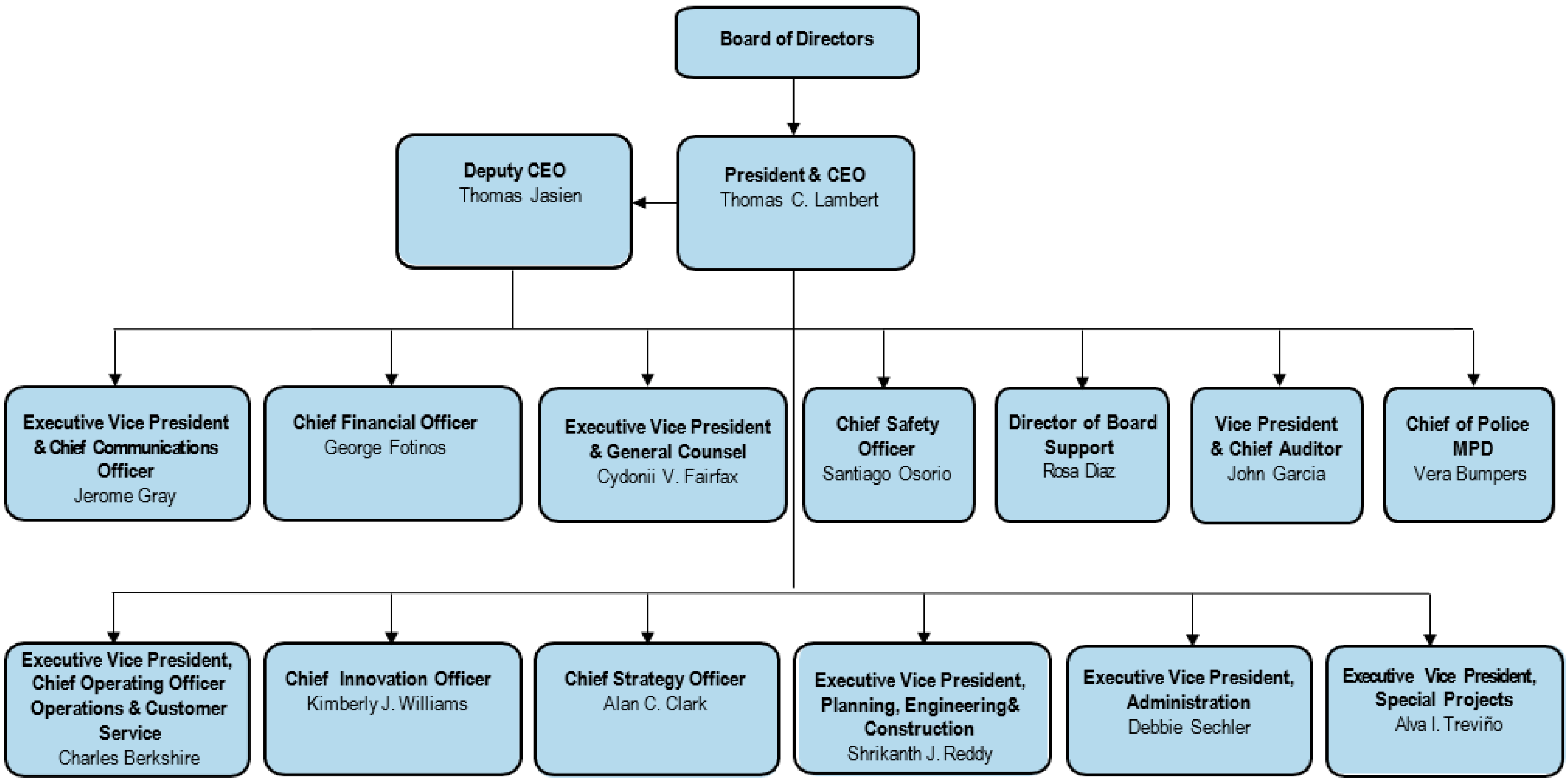

Christopher G. Hollins (H)


Diann L. Lewter (C)


Terry Morales (C)

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

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS
FY2022 Executive Leadership
Team Organization Chart



Comprehensive Financial Section

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

Some of the compliance reporting requirements includes the following:

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

KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report

The Board of Directors
Metropolitan Transit Authority of Harris County, Texas:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Metropolitan Transit Authority of Harris County, Texas (METRO), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of METRO, as of September 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 U.S. generally accepted accounting principles.

We did not audit the financial statements of the Non-Union Pension Plan and Trust, which represents 100% of the fiduciary activities as of and for the years ended September 30, 2022 and 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Non-Union Pension Plan and Trust, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of METRO 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. The financial statements of the Non-Union Pension Plan and Trust were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in fiscal year 2022, METRO adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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 METRO'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.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 METRO'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 METRO'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.

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and required supplementary information as listed in the table of contents 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023 on our consideration of METRO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of METRO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering METRO's internal control over financial reporting and compliance.

KPMG LLP

Houston, Texas
March 17, 2023

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

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

This section of the ACFR presents a discussion and analysis of METRO's financial performance during FY2021 through FY2022. Please read it in conjunction with the introductory section of the report and METRO's financial statements which immediately follow this section. Numbers presented in the Management's Discussion and Analysis tables are rounded and may differ slightly from the financial statements.

FINANCIAL HIGHLIGHTS

METRO's net position declined during FY2022 by $86.9 million or 5.1%. This decline relates to lower funding by the FTA for operating costs and increase in expenses that was partially offset by improvements in sales tax collections, transportation fares, investment income, and capital grants.

- *Total Resources* reported on schedule A-1 totaled $1,049.7 million for FY2022 which is a $375.6 million or 26.4 percent decline from FY2021. This decline was due to reduced funding by the FTA for operating costs offset by increases in sales tax, transportation fares, and investment income.

- *Total Operating Expenses* reported on schedule A-1 totaled $903.5 million for FY2022 for an increase of $115.1 million or 14.6 percent from FY2021. This increase relates to expanding services as riders return to the system, inflation, and costs related to planning/development for METRONext.

- *Total Nonoperating Expenses* reported on schedule A-1 totaled $233.1 million for FY2022 which is an increase of $4.3 million or 1.9 percent from FY2021. This increase primarily relates to additional local infrastructure assistance offset by lower interest expense.

- *Total Assets and Deferred Outflows* reported on schedule A-2 totaled $3,961.2 million for FY2022 which reflects a decline of $177.2 million or 4.3 percent when compared to FY2021. This decline primarily relates to reduction in capital assets net of depreciation and, FTA receivables, offset by increase in cash and investments.

- *Total Liabilities and Deferred Inflows,* as reported on schedule A-2, totaled $2,340.3 million for FY2022 which represents a decrease of $90.3 million or 3.7 percent from FY2021. This decrease is primarily due to reductions in various debt instruments and, Net Pension Liability, offset by increases in Net OPEB liability and deferred inflows.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

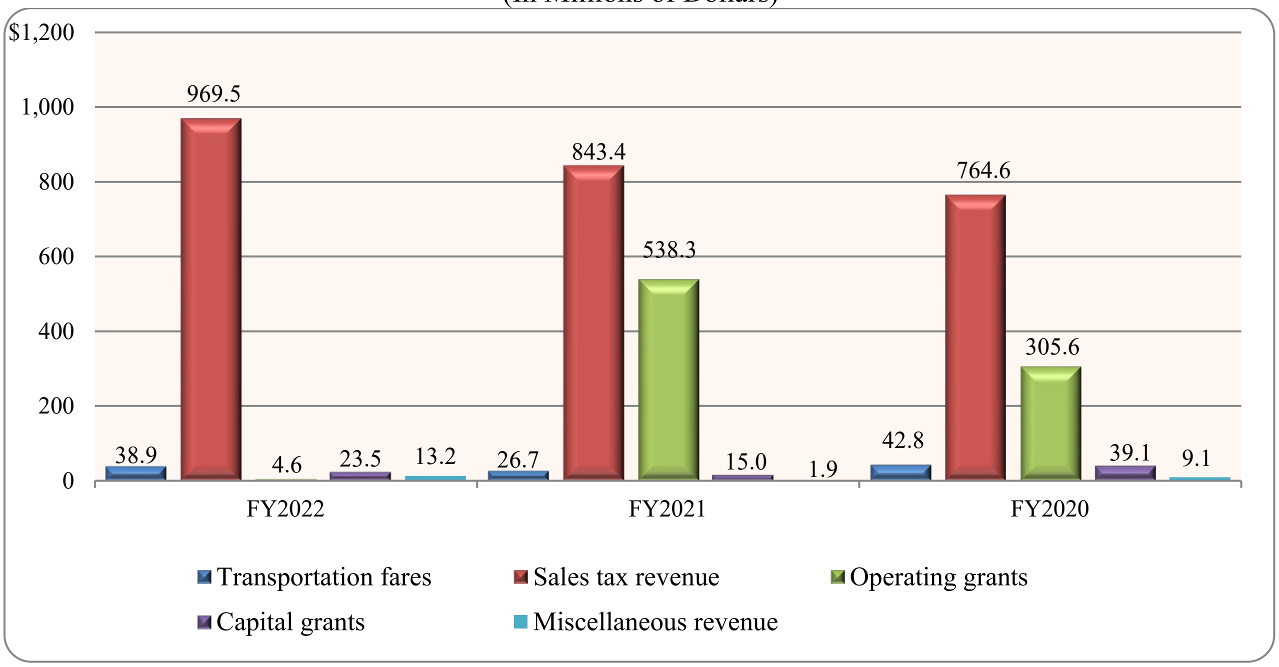
FINANCIAL ANALYSIS OF METRO

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

	FY2022	FY2021	Change	Percentage Change		FY2020
Resources						
Transportation fares	$ 38.9	$ 26.7	$ 12.2	45.7	%	$ 42.8
Sales tax	969.5	843.4	126.1	15.0	%	764.6
Investment income	10.3	0.2	10.1	5,050.0	%	6.8
Intergovernmental revenue	–	0.1	(0.1)	(100.0)	%	–
Other income	2.9	1.6	1.3	81.3	%	2.3
Grant proceeds	4.6	538.3	(533.7)	(99.1)	%	305.6
Grant proceeds (capital)	23.5	15.0	8.5	56.7	%	39.1
Total resources	1,049.7	1,425.3	(375.6)	(26.4)	%	1,161.2
Expenses						
Operating						
Scheduled service	430.6	367.9	62.7	17.0	%	414.8
Nonscheduled service	77.0	65.4	11.6	17.7	%	77.5
Service support	134.8	104.3	30.5	29.2	%	100.7
Organizational support	72.7	61.9	10.8	17.4	%	64.7
Depreciation and amortization	188.4	188.9	(0.5)	(0.3)	%	189.7
Total operating expenses	903.5	788.4	115.1	14.6	%	847.4
Nonoperating						
Noncapitalized interest expense	29.5	33.8	(4.3)	(12.7)	%	35.1
Loss/(gain) on sale of assets/impairment	0.1	0.2	(0.1)	(50.0)	%	0.1
Funds passed to subrecipients	0.3	0.2	0.1	50.0	%	0.4
Local infrastructure assistance	194.5	187.0	7.5	4.0	%	150.6
Net loss/(recovery) from declared disasters	8.7	7.6	1.1	14.5	%	8.5
Total nonoperating	233.1	228.8	4.3	1.9	%	194.7
Total expenses	1,136.6	1,017.2	119.4	11.7	%	1,042.1
Change in net position	(86.9)	408.1	(495.0)	121.3	%	119.1
Net position - beginning of year	1,707.8	1,299.7	408.1	31.4	%	1,180.6
Net position - end of year	$1,620.9	$1,707.8	$ (86.9)	(5.1)	%	$1,299.7

Increases to Net Position (Revenues) with Related Discussions

(In Millions of Dollars)



Transportation fares include revenue from transit customers, METRO STAR Vanpool, and HOT lanes. Fare revenue increased by $12.2 million or 45.7 percent during FY2022 as riders started returning to working onsite.

Sales tax revenue is 1% of taxable sales within METRO's service area which is collected by the Texas Comptroller Office and distributed monthly to METRO. Sales tax increased by $126.1 million or 15.0 percent during FY2022 as entities spent money received from the federal government relating to various fiscal stimulus programs and inflation.

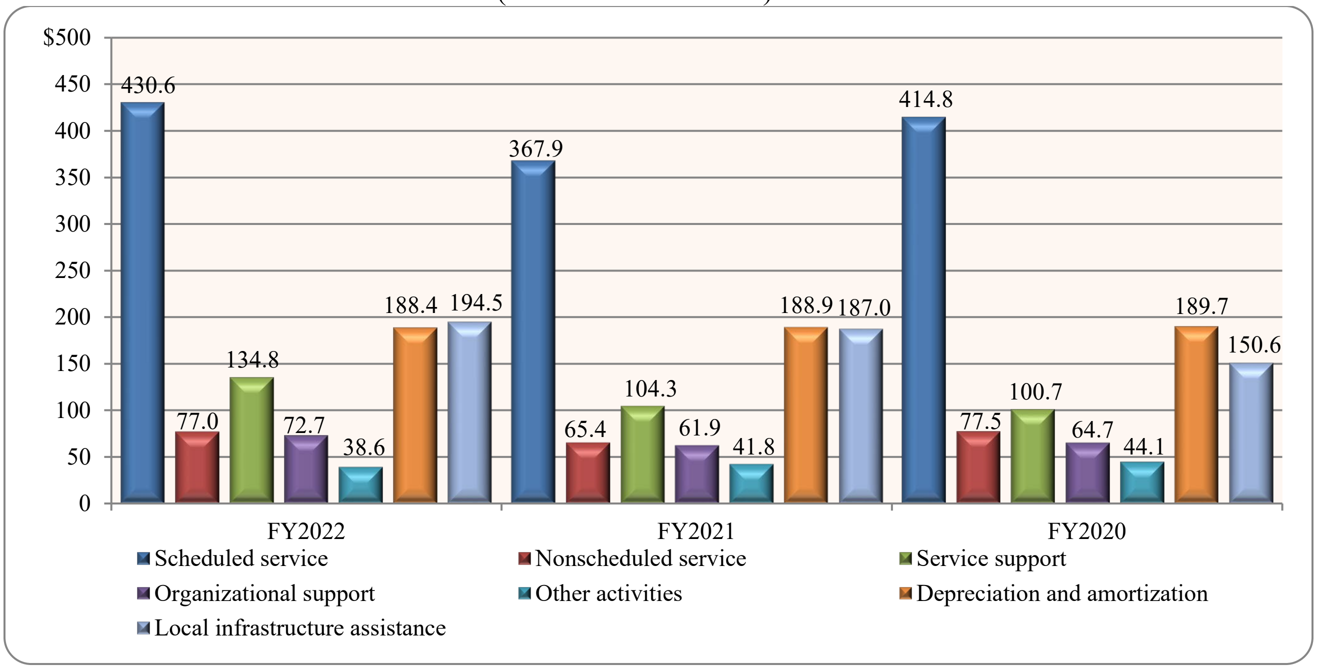
Operating grants (includes capital grants authorized by the FTA for use in maintaining capital assets) are primarily used to maintain transit vehicles and operating specific transit programs such as METROLift and METRO STAR Vanpool. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA, which is METRO's primary federal oversight agency. Amounts reported each year will vary and is based on the timing of allowable expenditures and when funds become available for reimbursement to METRO. The significant decline in FY2022 relates to higher grant dollars being reported in prior fiscal years when METRO received significant grant proceeds associated with the Coronavirus Aid, Relief and Economic Security (CARES) Act and American Rescue Plan Act (ARPA). The main source of the year-over-year decline in operating grants is the drawdown and recognition of COVID relief grants.

Capital grants are provided by the FTA and used to help fund the design, construction, purchase, and enhancement of capital assets. Grants funds are contingent on appropriations from the federal government and subsequent award of grant dollars by the FTA. Amounts reported each year will vary and is based on the timing of allowable expenditures and when funds become available for reimbursement to METRO. The increase of $8.5 million in FY2022 relates to progress on various grant eligible construction projects.

Miscellaneous revenue consists of investment income, intergovernmental revenue, real estate, parking revenue, and other nonoperating activities. Revenues from these categories will vary slightly each year depending on the local economy and the impact of changing interest rates. The increase of $11.3 million during FY2022 primarily relates to the City of Houston returning interest earned on advance payments made by METRO for local infrastructure activity.

Decreases to Net Position (Expenses) and Related Discussions

(In Millions of Dollars)



Scheduled service consists of bus/light-rail services and includes vehicle operations, maintenance, safety, and training expenses. The increase in FY2022 of $62.7 million primarily related to expansion of service as employees return to working onsite and inflation.

Nonscheduled service includes METROLift, METRO STAR Vanpool, and HOT lanes. The increase in FY2022 of $11.6 million primarily related to the expansion of service as employees return to working onsite and inflation.

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

Organizational support includes business, community/governmental development, administrative, finance, personnel, information systems, purchasing, executive oversight, audit, and legal. The increase in FY2022 primarily relates to additional effort on planning/developing METRONext, legal cost and inflation.

Other activities include interest expense, funds passed to grant subrecipients, gain/loss on sale of assets, and cost related to declared disasters. The decline in FY2022 primarily relates to lower interest cost due to the retirement of certain long-term debt, and refunding activity.

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

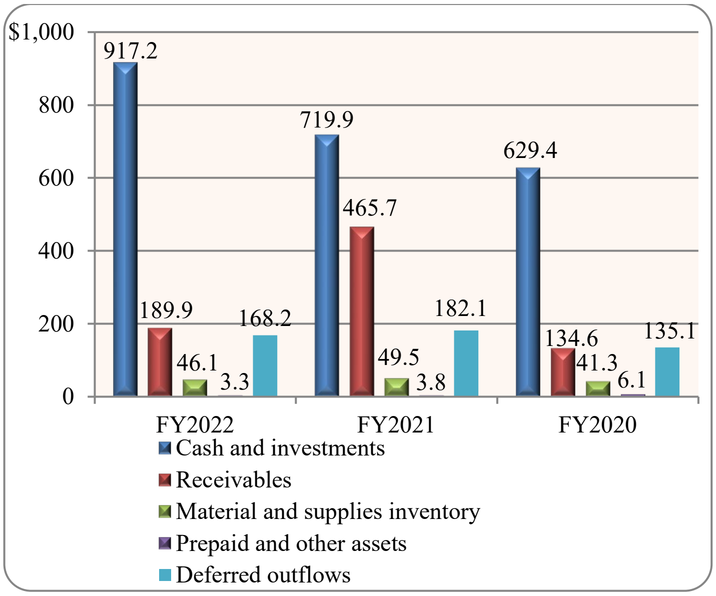
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities. This voter approved program established a cap of 25% of FY2014 sales tax revenues with any sales tax growth shared equally between METRO and local governments. Expenses reported for this program will vary each year depending on reimbursement requests and funds distributed to local governments. Additional information can be found in Note 6 to the basic financial statements.

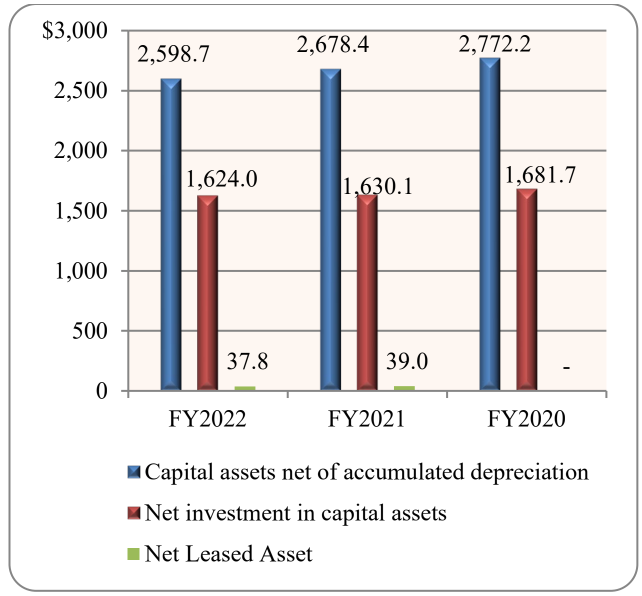
Summarized Statement of Net Position
(in Millions of Dollars)
A-2

	FY2022	FY2021	Amount of Change	Percentage Change	FY2020 *
Assets and deferred outflows					
Cash and investments	$ 917.2	$ 719.9	$ 197.3	27.4 %	$ 629.4
Receivables	189.9	465.7	(275.8)	(59.2) %	134.6
Material and supplies inventory	46.1	49.5	(3.4)	(6.9) %	41.3
Capital assets net of depreciation	2,598.7	2,678.4	(79.7)	(3.0) %	2,772.2
Net leased assets	37.8	39.0	(1.2)	(3.1) %	-
Prepaid and other assets	3.3	3.8	(0.5)	(13.2) %	6.1
Total assets	3,793.0	3,956.3	(163.3)	(4.1) %	3,583.6
Deferred outflow of resources	168.2	182.1	(13.9)	(7.6) %	135.1
Total assets and deferred outflows	3,961.2	4,138.4	(177.2)	(4.3) %	3,718.7
Liabilities and deferred inflows					
Payables and other liabilities	129.0	126.6	2.4	1.9 %	160.4
Commercial paper	83.6	109.5	(25.9)	(23.7) %	115.8
Debt payables	1,036.5	1,113.5	(77.0)	(6.9) %	1,144.0
Net pension liability	185.4	214.0	(28.6)	(13.4) %	249.4
Net OPEB liability	777.6	752.1	25.5	3.4 %	640.5
Total liabilities	2,212.1	2,315.7	(103.6)	(4.5) %	2,310.1
Deferred inflow of resources	128.2	114.9	13.3	11.6 %	108.9
Total liabilities and deferred inflows	2,340.3	2,430.6	(90.3)	(3.7) %	2,419.0
Net position:					
Net investment in capital assets	1,624.0	1,630.1	(6.1)	(0.4) %	1,681.7
Restricted assets, debt payments	88.5	96.4	(7.9)	(8.2) %	85.9
Unrestricted assets	(91.6)	(18.7)	(72.9)	389.8 %	(467.9)
Total net position	$1,620.9	$1,707.8	$ (86.9)	(5.1) %	$1,299.7

* The adoption of GASB 87 was not reflected in the 2020 balances.

Assets and Net Investments in Capital Assets





Cash and investments consist of demand deposits and investments. The increases during the last three years are primarily due to grant receipts from the federal government, sales tax, offset by increases in operating cost in FY2022. More information about cash and investments can be found in Note 2 to the basic financial statements

Receivables include sales tax, grants, transportation fares, and miscellaneous activities. The decline during FY2022 relate to payment by the FTA for grant revenue recorded in FY2021, offset by increases in current year sale tax.

Material and supplies inventory consist of fuel, parts needed to maintain transit and support vehicles, and favorable fuel hedges. Inventory has increased during the last three years with the decline in FY2022 primarily related to the settling of fuel hedges.

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

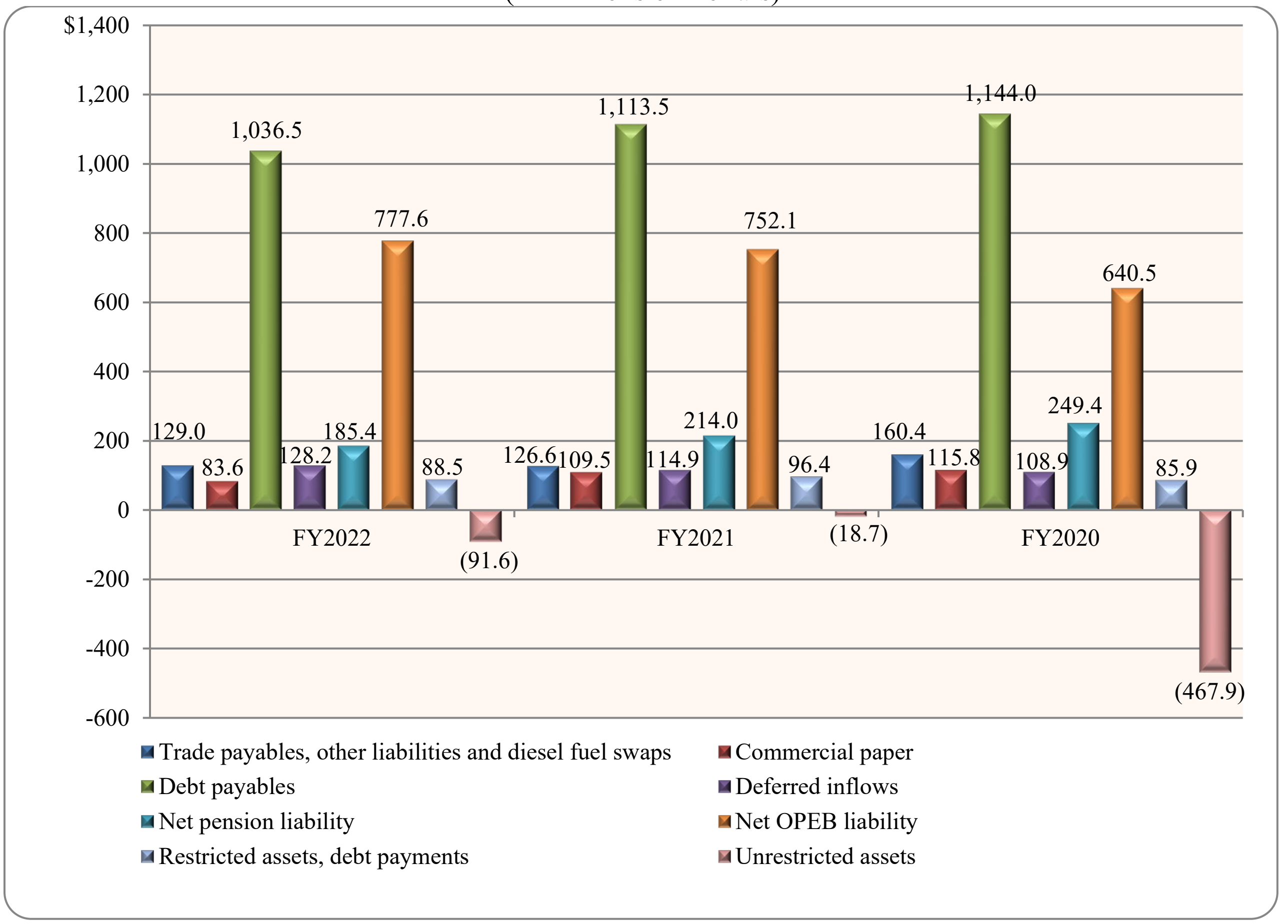
Deferred outflows consist of unfavorable experiences including actuarial assumptions used to value the defined benefit pension and OPEB plans, the refunding of previous outstanding debts, diesel fuel swaps, and contributions for the defined benefit pension plans for the period January 1 through September 30, of each year. Changes can vary significantly between years and primarily relate to benefit plans meeting their actuarial assumptions, changes in interest rates, and the volatility in diesel fuel prices. The decrease in FY2022 primarily relates to higher interest rates used to calculate the OPEB liability offset by favorable activity for the pension plans. Additional information is available in Note 4 and Note 6 to the basic financial statements.

Capital assets net of accumulated depreciation declined during the last three years and generally relate to depreciation expense and capital asset retirements exceeding current year capital additions. Additional information is available in Note 3 to the basic financial statements.

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

Liabilities and Net Position for Restricted and Unrestricted Assets

(In Millions of Dollars)



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

Commercial paper was used to fund general mobility payments due to local governments and is part of METRO's long-term debt strategy as payments are rolled over at maturity. The decline during the last three years was planned and it is anticipated the remaining balance will be retired during FY2023. Additional information on commercial paper is reflected in Note 6 and Note 7 to the basic financial statements.

Debt payables consist of bonds, contractual obligations, accrued interest and related premiums/discounts. Proceeds received from the issuance of these obligations were primarily used to fund light-rail expansion and bus replacements. The debt payable balance has been declining during the last three years as principal payments were made and the amortization of premium/discount occurred. Additional information on outstanding debt and related changes are reflected in Note 6 to the basic financial statements.

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

Net pension liability consists of two defined benefit plans which are closed to new participants as discussed in Note 1 and Note 4 of the basic financial statements. The decline in the net pension liability during the last three years primarily relates to actual investment returns significantly exceeding projected rate of return due to improvements in the stock markets and favorable actuarial experience.

Net OPEB liability consist of two plans which provide medical, dental, and life insurance benefits for eligible retirees as discussed in Note 1 and Note 4 to the basic financial statements. The plan covering OPEB for Non-Union employees was closed on January 1, 2010 (except for life insurance) while the plan for employees covered by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) collective bargaining agreement remains open to new participants. Increases during the last three years relate to METRO's funding on a pay-as-you go basis and reduction in the discount rate used to value the present value of the liability.

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

Unrestricted assets improved significantly during FY2020 and FY2021 as additional funds were received from the FTA for managing COVID-19 and lower operating cost due to reduced service levels. The increase in FY2022 relates to improvements in service levels and cost incurred for METRONext. The unrestricted balance equals total assets, plus deferred outflows; reduced by total liabilities, total deferred inflows, investments in capital assets-net of related debt, and restricted assets-debt payments. Amounts reported as unrestricted must be reviewed in conjunction with estimated future cash flows to determine funds available to expand or implement new and innovative programs.

OUTSTANDING COMMITMENTS

METRO has various contracts and purchase orders, some of which extend over several fiscal years. During the last two years the outstanding commitments totaled $120.7 million for FY2022 and $135.0 million for FY2021. Changes between fiscal years generally represent contracts that were expiring and will subsequently be replaced.

Current Economic Outlook for the Region

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

Figure 35 was taken from the *Mid-Year Outlook for METRO's Sales Tax Revenues: 2021-2027* Dated June 2021 and prepared by Dr. Robert W. (Bill) Gilmer, UNIVERSITY OF HOUSTON Institute for Regional Forecasting / C.T. Bauer College of Business.

The entire report is available upon request from METRO's Finance Department and the following schedule reflects the current forecast of sales tax revenue for the METRO service area through 2027.

Figure 35: METRO Current Dollar Allocations to 2027
Includes Social Distancing and Lower Oil Outlook, By Date of Allocation, Current $

Year	Low	Medium	High
2021	845,909,297	845,909,297	845,909,297
% y/y	10.2%	10.2%	10.2%
% q4/q4	24.2%	24.2%	24.2%
2022	955,089,762	962,421,889	966,567,085
% y/y	12.9%	13.8%	14.3%
% q4/q4	9.0%	9.8%	10.4%
2023	917,652,621	969,205,430	992,025,984
% y/y	-3.9%	0.7%	2.6%
% q4/q4	-6.1%	-1.2%	0.8%
2024	939,138,487	989,638,687	1,031,940,510
% y/y	2.3%	2.1%	4.0%
% q4/q4	3.5%	3.1%	5.1%
2025	975,162,114	1,042,571,441	1,104,427,413
% y/y	3.8%	5.3%	7.0%
% q4/q4	3.9%	5.3%	7.0%
2026	1,016,937,071	1,101,878,388	1,185,050,437
% y/y	4.3%	5.7%	7.3%
% q4/q4	4.3%	5.7%	7.3%
2027	1,058,249,748	1,163,468,122	1,271,177,714
% y/y	4.1%	5.6%	7.3%
% q4/q4	4.0%	5.6%	7.3%

Fiduciary Fund Financial Highlights for The Non-Union Pension Plan

METRO's funding policy is to contribute each year 100 percent of the independent, actuarially determined contribution which totaled $13.4 million for 2021, $14.2 million for 2020 and $12.6 million for 2019.

Changes to the fiduciary net position (as of December 31 which is the measurement date) are reflected, in thousands, is presented in the following table.

	2021	2020	2019
Total assets	$ 211,330	$ 204,727	$ 186,858
Total liability	174	213	213
Fiduciary net position	$ 211,156	$ 204,514	$ 186,645

The increase in the fiduciary net position during the last three years primarily related to higher-than-expected investment returns offset by favorable and unfavorable demographic experiences.

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Basic Financial Statements
Generally Accepted Accounting Principles

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

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

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

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position
September 30, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash	$ 7,986,555	$ 8,824,981
Investments	812,603,961	605,405,807
Investments – restricted	69,637,438	77,599,586
Receivables		
Sales tax	167,306,634	153,116,359
Federal government - Federal Transit Administration	3,166,118	306,221,678
Bus passes and other receivables	19,427,520	6,363,579
Total receivables	189,900,272	465,701,616
Material and supplies inventory	46,106,776	42,378,938
Derivative instrument – diesel fuel swaps	-	7,127,948
Total current assets	1,126,235,002	1,207,038,876
Noncurrent assets		
Investments – restricted	27,013,768	28,017,293
Capital assets, net of depreciation	2,598,663,652	2,678,420,032
Net lease assets	37,766,117	38,991,470
Other noncurrent assets	3,358,847	3,816,504
Total noncurrent assets	2,666,802,384	2,749,245,299
Total assets	3,793,037,386	3,956,284,175
Deferred outflow of resources		
Diesel fuel swaps	1,378,049	-
Pension	28,287,770	32,507,699
OPEB	135,403,128	146,098,986
Debt refunding	3,140,878	3,465,865
Total deferred outflow of resources	168,209,825	182,072,550
Liabilities		
Current liabilities		
Trade payables	66,148,287	61,529,323
Accrued compensation and benefits	32,892,090	37,233,227
Liabilities for injuries and damages	9,514,672	8,996,998
Other current liabilities	9,748,297	9,517,319
Lease obligations	930,324	975,680
Commercial paper	83,550,000	-
Debts payable	59,535,000	65,305,000
Debt interest payable	14,983,625	16,436,215
Derivative instrument – diesel fuel swaps	1,378,049	-
Total current liabilities	278,680,344	199,993,762
Noncurrent liabilities		
Liabilities for injuries and damages	9,257,440	9,285,475
Commercial paper	-	109,500,000
Debts payable	923,278,177	992,207,854
Net OPEB liability	777,593,878	752,121,047
Net pension liability	185,442,760	214,019,389
Lease obligations	37,819,982	38,517,344
Total noncurrent liabilities	1,933,392,237	2,115,651,109
Total liabilities	2,212,072,581	2,315,644,871
Deferred inflow of resources		
Pension	47,859,243	39,277,335
OPEB	77,510,364	65,003,333
Bonds	792,346	844,849
Diesel fuel swaps	-	7,127,948
Leases	2,073,931	2,636,124
Total deferred inflow of resources	128,235,884	114,889,589
Net position		
Net investment in capital assets	1,624,047,626	1,630,157,148
Restricted assets – debt payments	88,454,055	96,366,910
Unrestricted assets	(91,562,935)	(18,701,793)
Total net position	$ 1,620,938,746	$ 1,707,822,265

The accompanying notes are an integral part of the financial statements

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
for the Years Ended September 30, 2022 and 2021

	2022	2021
Operating revenues		
Transportation fares	$ 38,906,973	$ 26,694,634
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	239,773,055	205,396,128
Contract service	56,390,680	49,763,382
Material distribution	8,368,054	7,306,794
Preventative maintenance	90,348,741	74,727,065
Central shop and maintenance support	29,347,740	25,440,616
Safety and training	6,420,937	5,290,127
Subtotal scheduled services - fixed route	430,649,207	367,924,112
Nonscheduled services – special		
METROLift	65,968,307	55,606,053
METRO Vanpool	4,781,999	4,291,596
HOT lanes and special events	6,248,536	5,495,866
Subtotal non-scheduled services – special	76,998,842	65,393,515
Service support		
Service planning and evaluation	37,908,319	17,096,886
Marketing	9,282,798	7,706,175
Transit security and traffic management	31,786,847	29,188,052
Insurance and claims	8,343,129	7,600,775
Ticket and fare collection	3,636,818	3,354,835
Facility maintenance	43,858,151	39,332,120
Subtotal service support	134,816,062	104,278,843
Organizational support		
Business, community, and governmental development	12,207,475	7,530,400
Administrative, financial, and personnel	20,612,274	18,845,857
Information systems	27,020,005	24,279,234
Purchasing	4,877,396	4,258,416
Oversight, audit, and legal	7,967,206	7,005,588
Subtotal organizational support	72,684,356	61,919,495
Depreciation and amortization	188,376,058	188,891,867
Total operating expenses	903,524,525	788,407,832
Operating loss	(864,617,552)	(761,713,198)
Nonoperating revenues (expenses)		
Sales tax	969,533,523	843,425,291
Investment income	10,227,377	218,826
Intergovernmental revenue	-	50,042
Interest expense	(29,469,689)	(33,799,148)
Other income	2,933,979	1,609,717
Grant proceeds	4,602,766	538,377,367
Local infrastructure assistance	(194,541,069)	(186,949,035)
Funds passed to subrecipients	(312,877)	(157,989)
Loss from sale or disposal of assets	(77,029)	(238,396)
Loss on declared disaster	(8,666,225)	(7,631,926)
Total nonoperating revenues	754,230,756	1,154,904,749
Net (decrease) before capital grants	(110,386,796)	393,191,551
Capital grant proceeds	23,503,277	14,973,206
Changes in net position	(86,883,519)	408,164,757
Net position beginning of year	1,707,822,265	1,299,657,508
Net position end of year (as restated)	$ 1,620,938,746	$ 1,707,822,265

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

Metropolitan Transit Authority of Harris County, Texas
Statements of Cash Flows
for the Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from transportation fares	$ 38,021,245	$ 25,869,288
Payments to employees	(409,832,105)	(369,172,983)
Payments to suppliers for goods and services	(278,332,797)	(215,380,416)
Net cash used in operating activities	(650,143,657)	(558,684,111)
Cash flows from noncapital financing activities:		
Proceeds from Sales tax	955,791,224	816,073,431
Proceeds from grants	308,808,380	235,703,873
Payments for local infrastructure assistance	(193,245,039)	(186,949,035)
Payment for declared disaster	(8,666,225)	(7,631,926)
Net cash provided by noncapital financing activities	1,062,688,340	857,196,343
Cash flows from capital and related financing activities:		
Proceeds from grants	22,040,346	16,547,140
Proceeds from sale of sales tax bonds	38,325,000	–
Principal payments related to commercial paper	(25,950,000)	(6,300,000)
Principal payments related to debts	(98,750,000)	(58,180,000)
Interest payments related to debts	(46,187,676)	(42,276,025)
Purchase of investments for debt services	(100,418,043)	(109,727,641)
Sale of investments for debt services	109,383,716	126,055,727
Interest rebates from Build America Bonds	–	50,042
Proceeds from sale and use of assets	4,693,682	2,255,869
Capital purchases	(107,468,907)	(120,906,425)
Net cash flows used by capital and related financing activities	(204,331,882)	(192,481,313)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	820,924,915	841,785,623
Purchase of investments	(1,041,576,082)	(948,219,895)
Interest income	11,599,940	(1,204,761)
Net cash used in investing activities	(209,051,227)	(107,639,033)
Net change in cash	(838,426)	(1,608,114)
Cash at beginning of year	8,824,981	10,433,095
Cash at end of year	$ 7,986,555	$ 8,824,981
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (864,617,552)	$ (761,713,198)
Depreciation and amortization	188,376,058	188,891,867
Changes in assets and liabilities:		
(Increase) in accounts receivable	(3,625,201)	(968,226)
(Increase) in inventory and other assets	(3,270,180)	(2,256,680)
(Decrease) in net pension liability	(28,576,629)	(35,368,182)
Decrease in deferred outflows – defined benefit pension plans	4,219,929	15,658,805
Increase in deferred inflows – defined benefit pension plans	8,581,908	12,405,226
(Decrease) in accrued compensation and benefits	(4,341,139)	(334,997)
Increase in net OPEB liability	25,472,831	111,633,843
Decrease (increase) in deferred outflows – OPEB	10,695,858	(73,347,796)
Increase (decrease) in deferred inflows – OPEB	12,507,031	(15,867,670)
Increase (decrease) increase in liabilities for injuries and damages	489,640	(1,158,728)
Increase in trade payables and other liabilities	3,943,789	3,741,625
Cash used in operating activities	$ (650,143,657)	$ (558,684,111)
Noncash investing activities:		
Net increase in fair value of investments	$ 6,761,374	$ 326,692
Inflows from reissuance of commercial paper	420,350,000	388,750,000
Outflows from reissuance of commercial paper	(446,300,000)	(395,050,000)

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

Metropolitan Transit Authority
Non-Union Pension Plan and Trust
Statements of Fiduciary Net Position
As of December 31, 2021 and 2020 (Measurement Date)

	2021	2020
Assets		
Cash equivalent	$ 1,574,865	$ 1,254,665
Investments, at fair value:		
Domestic equities	80,566,016	80,054,974
Fixed income	53,355,772	55,912,992
International equities	46,939,684	42,652,001
Real estate	28,879,440	24,724,991
Total investments	209,740,912	203,344,958
Interest and dividends receivable	-	28,216
Receivable from sale of securities	14,476	98,914
Total assets	211,330,253	204,726,753
Liabilities		
Accounts payable	164,404	153,369
Payable for securities purchased	9,464	59,709
Total liabilities	173,868	213,078
Fiduciary net position - restricted for pensions	$ 211,156,385	$ 204,513,675

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

Metropolitan Transit Authority
Non-Union Pension Plan and Trust
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2021 and 2020 (Measurement Date)

	2021	2020
Additions		
Employer contributions	$ 13,447,958	$ 14,236,592
Investment income:		
Interest and dividends	1,455,245	960,902
Net appreciation on investments	21,752,092	20,373,224
Investment income	23,207,337	21,334,126
Less: investment expenses	(507,884)	(451,839)
Net investment income	22,699,453	20,882,287
Total additions	36,147,411	35,118,879
Deductions		
Paid to Plan members and beneficiaries	29,179,951	16,899,341
Administrative services	324,750	351,276
Total deductions	29,504,701	17,250,617
Changes in fiduciary net position	6,642,710	17,868,262
Fiduciary net position - restricted for pensions:		
Beginning of the year	204,513,675	186,645,413
End of the year	$ 211,156,385	$ 204,513,675

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

Notes to the Basic Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

METRO is a stand-alone governmental entity as defined by GASB Statement No. 14, *The Financial Reporting Entity,* amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statement No. 14 and No. 34,* Statement No. 90, *Majority Equity Interest-an amendment of GASB Statement No. 14 and No. 61*, and Statement No. 84, *Fiduciary Activities.* Statement 84 requires the inclusion of the Non-Union Pension Plan and Trust financial statements, as previously listed, since METRO's Board of Directors is deemed to have a fiduciary role with the plan.

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

Related Organizations

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

Nature of Operating and Nonoperating Activities

Operating

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

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

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

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

Nonoperating

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

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

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

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

Receivables

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

Inventories of Materials and Supplies

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

Capital Assets

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

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

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

Lease assets

METRO's long-term financial strategy includes using lease agreements which provide opportunities to expand/enhance transit services or earn additional income. During FY2022 METRO implemented Governmental Accounting Standard Board Statement No. 87, *Leases.* This statement generally requires a lease that exceeds one year to be reported in the financial statements and measured, at the inception of the lease, using the present value of future payments or cash receipts. The discount rate used to determine the present value is the lessor rate used in the lease, but if not available, then METRO's incremental borrowing rate.

Leases in which METRO is the lessee are recorded as a leased asset, with its related lease obligation, if the term of the agreement is more than one year. Agreements that otherwise would meet the definition of a lease with term of less than a year are expensed as incurred. Leased assets are amortized evenly over the lease term while the related lease obligation is amortized using the effective interest method using the same period. Leases in which METRO is the lessor are recorded as a lease receivable with its related deferred inflow. Lease receivables, and the related deferred inflows are amortized using the effective interest method over the lease team. Lease receivables are reported in other receivables.

Compensated Absences

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

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

Pension Plans

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

Commercial Paper

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

Sales Tax

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

Use of Estimates

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

New Accounting and Reporting Standards

During FY2022 METRO implemented GASB Statement No. 87 *Leases.* This statement generally requires leases that exceed one year to be reported in the financial statements and measured using the present value of future payments or cash receipts at the inception of the lease. When METRO is the lessee, the lease will be reported as a lease asset along with the related lease obligation. When METRO is the lessor, the lease will be reported as a receivable along with related deferred inflow.

Implementation of this statement reduces the ending FY2021 fund balance by $501,554 and included additional activity reported in the ACFR as reflected in the following schedule.

Ending FY2021 net position as previously reported	$ 1,708,323,819
Less additional amortization expenses reported in FY2021	501,554
Adjusted FY2021 ending net position	1,707,822,265
Changes to the FY2021 Statement of Net Position	
Lease assets, net of accumulative amortization at October 1, 2021	39,907,558
Lease assets, net of accumulative amortization at September 30, 2022	38,991,470
Net amortization expense of lease assets FY2021	916,088
Lease obligation at October 1, 2021	39,907,558
Lease obligation at September 30, 2022	39,493,024
Net accretion of lease obligation FY2021	414,534
Net change in FY2021 change in net position	$ 501,554

New GASB statements adopted during FY2022	Effect on financial reporting
Statement No.87, *Leases*	Reporting qualified leases as either an asset with related lease obligation, or a receivable with related deferred inflow. Please review Note 3.
Statement No. 91, *Conduit Debt Obligations*	No effect
Statement No. 92, *Omnibus 2020*	Covered-employee payroll for OPEB is no longer disclosed since it is not used in OPEB
Statement No. 93, *Replacement of Interbank offered Rates*	No effect
Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*	No effect

New GASB statements that are being evaluated	Effective Date
Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*	FY2023
Statement No. 96, *Subscription-Based Information Technology Arrangements*	FY2023
Statement No. 99, *Omnibus 2022*	FY2023-FY2024
Statement No. 100, *Accounting Changes and Error Corrections*	FY2024
Statement No. 101, *Compensation Absences*	FY2025

2. Deposits and Investments Securities:

METRO Investments

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

METRO's deposit and investment activity complies with the TPFIA or policies (if more restrictive) established by the Board of Directors. Texas Local Government Investment Pools are not registered with the Security and Exchange Commission and do not report to any regulatory agency. The pools are independently audited each year and reported using a stable net asset value of $1.00 per share which approximates fair value.

Concentration of Credit Risk

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

Investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools, and other pooled investments are not subject to concentration of credit risk disclosure and represented $677,180,581 or 74.5 percent of total investments for FY2022 and $675,215,155 or 95.0 percent for FY2021.

Investments in a single issuer that were not explicitly guaranteed by the U.S government and exceeded 5% of the investment portfolio as of September 30, 2022 and 2021 included:

	Fiscal 2022		Fiscal 2021	
Investments in Government Sponsored Enterprises	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Federal Home Loan Banks	$ 112,718,908	12.40%	$ –	–
Total	$ 112,718,908		$ –	

Custodial Credit Risk

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

Deposits

METRO's checking accounts and book balances for cash as of September 30, 2022 and 2021 were:

Unrestricted	Fiscal 2022	Fiscal 2021
Bank balances	$7,784,790	$8,803,095
Book balances	7,986,555	8,824,981

Investments

Fair Value Measurement

METRO has consistently categorized its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; Level 3 inputs are significant unobservable inputs. METRO uses information provided by Wells Fargo Bank, N.A., the asset custodian, when reporting the fair value of its investments. Fair value of METRO's investments for FY2022 and FY2021were:

FY2022 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. treasury notes	$ 352,875,453	$ 352,875,453	$ –	$ –
U.S. agencies	191,010,539	–	191,010,539	–
U.S. treasury mutual fund	31,064,047	31,064,047	–	–
Certificate of deposit	10,000,000	10,000,000	–	–
Total investment securities	$ 584,950,039	$ 393,939,500	$ 191,010,539	$ –
Local government investment pools measured at the net asset value	324,305,128			
Total investments measured at fair value	$ 909,255,167			

FY2021 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Investment securities				
U.S. treasuries	$ 297,265,526	$ 297,265,526	$ –	$ –
U.S. agencies	20,073,479	–	20,073,479	–
U.S. treasury mutual fund	15,734,052	15,734,052	–	–
Total investment securities	$ 333,073,057	$ 312,999,578	$ 20,073,479	$ –
Local government investment pools measured at the net asset value	377,949,629			
Total investments measured at fair value	$ 711,022,686			

Interest Rate and Credit Risk

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

The investments held at September 30, 2022 and 2021 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	Fiscal 2022 Fair Value	Fiscal 2021 Fair Value	Credit Ratings
Unrestricted investments			
U.S. treasuries	$ 352,875,453	$ 297,265,526	Aaa/AA+
U.S. agencies	191,010,539	20,073,479	Aaa/AA+
Local government investment pool	227,653,922	272,332,750	AAAm
U.S. treasury mutual fund	31,064,047	15,734,052	AAAm/Aaa-mf
Certificate of deposit	10,000,000	–	Collateral=Aaa
Total unrestricted investments	812,603,961	605,405,807	
Restricted investments			
Local government investment pool	96,651,206	105,616,879	AAAm
Total restricted assets	96,651,206	105,616,879	
Total Investments	$ 909,255,167	$ 711,022,686	

Investment by type and weighted average maturity as of September 30, 2022 and 2021 consisted of the following:

Investment securities:	Fiscal 2022 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasuries	$ 352,875,453	$ 270,552,992	$ 82,322,461	223 days
U.S. agencies	191,010,539	176,238,385	14,772,154	250 days
Local government investment pool	324,305,128	324,305,128	-	22 days
U.S. treasury mutual fund	31,064,047	31,064,047	-	16 days
Certificate of deposit treasury	10,000,000	10,000,000	-	130 days
Total Investments	$ 909,255,167	$ 812,160,552	$ 97,094,615	

Investment securities:	Fiscal 2021 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasuries	$ 297,265,526	$ 201,326,855	$ 95,938,671	268 days
U.S. agencies	20,073,479	20,073,479	-	52 days
Local government investment pool	377,949,629	377,949,629	-	48 days
U.S. treasury mutual fund	15,734,052	15,734,052	-	16 days
Total Investments	$ 711,022,686	$ 615,084,015	$ 95,938,671	

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

Fiduciary Investment – Non-Union Pension Plan and Trust

GASB Statement 84 requires the inclusion of the Non-Union Pension Plan and Trust financial statements and selected notes in METRO's ACFR as METRO is deemed to have a fiduciary role with the plan.

Committee members are responsible for the administration of the Plan which includes maintaining the investment/funding policy, investing assets, managing investment risks, safeguarding assets, and hiring professional with different skills to ensure the Plan is operating effectively.

A copy of the Plan's investment/funding policy can be obtained by contacting METRO's Treasury Services while the independently audited annual financial report is available on METRO's website https://www.ridemetro.org/Pages/FAComprehensivePensionPlans.aspx.

Financial Information

Fair value of the Plan's investments by asset class, percentage of the portfolio and the change between December 31, 2021 and 2020 are as follows:

	2021	%	2020	%	Change
Domestic equities	$ 80,566,016	38%	$ 80,054,974	39%	$ 511,042
International equities	46,939,684	22%	42,652,001	21%	4,287,683
Fixed income	53,355,772	26%	55,912,992	28%	(2,557,220)
Real estate	28,879,440	14%	24,724,991	12%	4,154,449
Total investments	$ 209,740,912	100%	$ 203,344,958	100%	$ 6,395,954

Investments Returns

The money-weighted rate of return as calculated by the actuary for 2021 and 2020 was a positive 11.55 percent and a positive 11.28 percent, respectively. This calculation considers the change in amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The money-weighted rate of return calculation was developed net of investment expenses and is required by GASB.

The financial advisor uses the time-weighted rate of return (geometric method), which is the industry standard, when calculating investment rate of returns included in the investment section of this report and performance reports provided to the Committee. Based on this method, the investment rate of return, net of investment expenses, were positive 11.8 for 2021 and 11.5 for 2020.

Types of Investment Risks

Investing has several types of risks some of which include custodial, credit, investment concentration, foreign currency, and interest rate. The Plan manages these risks by using an independent asset custodian (State Street Bank and Trust Company), compliance monitoring by the financial advisor, reviewing independent financial audits of the mutual and commingled funds, and allocation of investment dollars among multiple money managers who operate in separate markets and whose performance is measured using different indexes. The Plan's investment policy limits concentration risk and the Plan did not own any investments of a single issuer whose value exceeded 5 percent of the fiduciary net position.

Asset Custodian

State Street Bank and Trust Company is the Plan's asset custodian. Investments made by the domestic (non-commingled and index fund) money managers are held directly by the Plan's asset custodian in the name of the Plan. Investments made by mutual and commingled funds are held by their independent asset custodian with the net asset value reported to the Plan's asset custodian by the related money manager. In addition to the independent asset custodian, the mutual and commingled funds issue independently audited annual financial reports and must comply with oversight rules issued by governmental agencies. Additional information for each money manager is located in the Current Money Managers Section.

Managing investment concentration, credit and foreign currency risk

Domestic Equities

The maximum weighting (at time of purchase) in any one company of the investment manager's portfolio holdings do not exceed 8 percent or 5 percent more than the index weight, whichever is greater.

International Equities

The maximum weighting (at time of purchase) in any one company does not exceed 7 percent. Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns.

Global Fixed Income

The global fixed income portfolio may include both domestic and/or international fixed income securities.

Unless authorized by the Plan in advance and in writing, the minimum quality rating of an investment is BBB-. For an issue that is not rated, the security must be of "equivalent" quality to a BBB- rating or above in the opinion of the investment manager, or the security must be a government bond or a bond of a supranational authority which does not have a recognized credit rating.

The maximum holding (cost basis) in any one security does not exceed 5 percent, excluding AAA rated sovereign debt.

To manage currency risk, no investment manager shall have exposure to any one currency exceeding 70 percent for the Euro, 50 percent for the Japanese Yen, 40 percent for British Sterling and 25 percent for others excluding the U.S. Dollar.

Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns.

Real Estate

Diversification should be made between property type, and economic and geographic location. Real estate should be passive rather than direct ownership of property. Currency hedging, foreign exchange contracts and similar strategies are permitted as part of a defensive strategy to protect the portfolio assets and enhance returns. Investments in timber and infrastructure will be included in the real estate allocation.

Interest Rate Risk

A change in interest rate will affect the underlying value of fixed income investments. Generally, increases in interest rates will reduce the value of the investment portfolio while a decrease in interest rates will increase the value of such portfolio. To manage this risk, the Plan's financial advisor monitors the duration of each fixed income money manager's portfolio in relation to the appropriate benchmark indexes they track. Significant variances from the benchmark are discussed with Committee members and the related money manager. The Plan holds fixed income investments in two funds.

Brandywine Global Opportunistic Fixed Income Fund had an average modified duration of 5.82 years while the benchmark (FTSE WGBI (USD)) was 8.71 years. Brandywine concentrates investments where they believe value is greatest; as a result, their portfolios tend to have an intermediate to long duration bias when real interest rates are high. Greater interest rate exposure is assumed in countries with more value and positions are established along the yield curve where it finds the best risk/reward profile.

Rhumbline Core Bond Pooled Trust duration was 6.99 years while the benchmark (Bloomberg Barclays US Aggregate Bond index) duration was 6.99 years as well.

Additional credit risk disclosure

The two Fixed Income funds invest in domestic and international markets including developed and emerging markets sovereign debt. While the funds themselves have not been rated by any nationally recognized rating agency, most of their investments are rated as discussed above.

Fair Value Measurement

The Plan categorizes its fair value measurement within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority (Level 1) to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs.

Level 1: Unadjusted quoted prices for identical assets in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable.

The Plan uses information provided by State Street Bank and Trust, the asset custodian, and Marquette Associates, financial advisor, when reporting the fair value of its investments. Common stocks classified in Level 1 are valued using prices quoted in active markets for those securities. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The Plan's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. When inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

Fair value of the Plan's investments for 2021 and 2020 using the reporting hierarchy are:

Investments measured at fair value	Total 2021	Level 1	Level 2	Level 3
Common stocks	$ 25,304,280	$ 25,304,280	-	-
Mutual funds	7,410,759	7,410,759		
Total investments measured at fair value	$ 32,715,039	$ 32,715,039	-	-

Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	$ 16,158,056	None	Daily	10 Days
Core Fixed Income Fund *2	37,197,716	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	41,236,931	None	Daily	1 Day
Large-Cap Value Fund *4	8,419,962	None	Daily	1 Day
Small-Cap Core Fund *8	5,600,006	None	Daily	2 Days
International Equity				
Non-U.S. Large-Cap Core Fund *6	24,426,730	None	Daily	2 Days
Non-U.S. Small-Cap Core Fund *7	4,832,032	None	Thrice-Monthly	2 Days
Global Low Volatility Fund *5	10,275,000	None	Daily	1 Days
Domestic Real Estate Core Funds *9				
RREEF America REIT II Co	12,143,065	None	Quarterly	30 Days
UBS Trumbull Property Fund	16,736,375	None	Quarterly	60 Days
Total Investments measured at NAV	177,025,873			
Total investments at fair value	$209,740,912			

Investments measured at fair value	Total 2020	Level 1	Level 2	Level 3
Common stocks	$ 34,285,351	$ 34,285,351	-	-
Total investments measured at fair value	$ 34,285,351	$ 34,285,351	-	-

Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	$ 17,056,638	None	Daily	10 Days
Core Fixed Income Fund *2	38,856,354	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	40,206,471	None	Daily	1 Day
Large-Cap Value Fund *4	8,615,213	None	Daily	1 Day
Small-Cap Core Fund *8	6,209,599	None	Daily	2 Days
International Equity				
Non-U.S. Large-Cap Core Fund *6	22,630,004	None	Daily	2 Days
Non-U.S. Small-Cap Core Fund *7	10,760,337	None	Thrice-Monthly	2 Days
Domestic Real Estate Core Funds *9				
RREEF America REIT II Co	9,795,649	None	Quarterly	30 Days
UBS Trumbull Property Fund	14,929,342	None	Quarterly	60 Days
Total Investments measured at NAV	169,059,607			
Total investments at fair value	$203,344,958			

Current Money Managers

*1. Global Fixed Income Fund - Brandywine Global Opportunistic Fixed Income Fund (BGOFIF) was organized with the objective of achieving interest income and long-term capital appreciation that exceeds the FTSE WGBI TR index by investing in U.S. fixed income, instruments and non-U.S. developed and emerging markets sovereign debt securities.

*2. Core Fixed Income Fund - Rhumbline Core Bond Pooled Trust is managed to match the return of the Barclays Aggregate U.S. Bond index through investment in substantially all bonds contained in that index.

*3. Large-Cap Core Fund - Rhumbline Russell 1000 Large-Cap Core index portfolio is managed to match the return of the Russell 1000 Index through investments in substantially all the stocks contained in that index.

*4. Large-Cap Value Fund - Rhumbline Russell 1000 Large Capital Value index portfolio is managed to match the return of the Russell 1000 Value Index through investments in substantially all the stocks contained in that index.

*5. Global Low Volatility Fund – FIAM Global Low Volatility Equity Commingled Pool seeks long-term growth of capital, primarily through investment in the global developed market equity universe, while maintaining an overall risk profile that is lower than a developed benchmark similar to the MSCI World Index.

*6. Non-U.S. Large-Cap Core Fund - SSgA MSCI ACWI ex U.S. Index (Fund) seeks to approximate as closely as practicable, before expenses, the performance of the MSCI ACWI ex USA Index over the long term. The Fund attempts to achieve this by investing in other collective investment funds, each an underlying fund, managed by the Trustee.

*7. Non-U.S. Small-Cap Core Fund - SSgA MSCI EAFE Small Cap Index Securities Lending Fund approximately as closely as practicable, before expenses, the performance of the MSCI EAFE Small Cap Index over the long-term.

*8. Small-Cap Core Fund - SSgA Russell 2000 Index Securities Lending Fund: Small-Cap Core approximates as close as practicable the performance of the Russell 2000 Index over the long term.

*9. Domestic Real Estate Core Funds

RREEF America REIT II is organized as an open ended, real estate investment trust (REIT). Its goal is to generate attractive investment returns from a portfolio of primarily equity investments in income producing real property. Performance is derived from portfolio construction, careful asset allocation and active asset management.

Trumbull Property Fund is a REIT based fund, structured as a Delaware limited partnership that offers participants an actively managed, primarily core portfolio of equity real estate. Its goal is to outperform the NFI-ODCE over a full market cycle.

3. Capital Assets

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2022 were as follows:

	September 30, 2021	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2022
Capital assets not depreciated:					
Land	$ 267,554,512	$ –	$(1,529,838)	$ –	$ 266,024,674
Construction in progress	106,483,805	109,125,355	(339,962)	(99,284,909)	115,984,289
Total capital assets not depreciated	374,038,317	109,125,355	(1,869,800)	(99,284,909)	382,008,963
Capital assets depreciated:					
Administration and operating facilities	453,792,016	–	–	2,649,816	456,441,832
Park & Ride lots and transit centers	370,190,215	–	–	2,229,475	372,419,690
Buses and equipment	924,320,481	–	(19,494,914)	50,064,667	954,890,234
Rail cars	299,035,917	–	–	13,154,405	312,190,322
Rail infrastructure	2,041,606,108	–	–	19,328,097	2,060,934,205
Transitways/HOT lanes	600,348,234	–	–	2,375,484	602,723,718
Other property and equipment	53,780,753	–	–	9,482,965	63,263,718
Total capital assets depreciated	4,743,073,724	–	(19,494,914)	99,284,909	4,822,863,719
Less accumulated depreciation and amortization:					
Administration and operating facilities	(331,642,398)	(13,438,069)	–	–	(345,080,467)
Park & Ride lots and transit centers	(251,464,592)	(9,984,432)	–	–	(261,449,024)
Buses and equipment	(665,709,401)	(63,609,658)	19,400,721	–	(709,918,338)
Rail cars	(198,099,596)	(18,061,002)	–	–	(216,160,598)
Rail infrastructure	(477,386,198)	(56,436,049)	–	–	(533,822,247)
Transitways/HOT lanes	(483,502,412)	(17,421,591)	–	–	(500,924,003)
Other property and equipment	(30,887,412)	(7,966,941)	–	–	(38,854,353)
Total accumulated depreciation and amortization	(2,438,692,009)	(186,917,742)	19,400,721	–	(2,606,209,030)
Total capital assets being depreciated, net	2,304,381,715	(186,917,742)	(94,193)	99,284,909	2,216,654,689
Total capital assets, net	$2,678,420,032	$ (77,792,387)	$(1,963,993)	$ –	$2,598,663,652

Changes in capital assets (excluding capital leases discussed below) for fiscal year 2021 were as follows:

	October 1, 2020	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2021
Capital assets not depreciated:					
Land	$ 267,554,512	$ –	$ –	$ –	$ 267,554,512
Construction in progress	160,439,611	94,471,562	(344,400)	(148,082,968)	106,483,805
Total capital assets not depreciated	427,994,123	94,471,562	(344,400)	(148,082,968)	374,038,317
Capital assets depreciated:					
Administration and operating facilities	457,113,742	–	(16,008,192)	12,686,466	453,792,016
Park & Ride lots and transit centers	333,083,875	–	–	37,106,340	370,190,215
Buses and equipment	964,977,048	–	(96,341,111)	55,684,544	924,320,481
Rail cars	289,612,121	–	(21,610)	9,445,406	299,035,917
Rail infrastructure	2,026,971,655	–	–	14,634,453	2,041,606,108
Transitways/HOT lanes	586,868,766	–	–	13,479,468	600,348,234
Other property and equipment	76,497,520	–	(27,763,058)	5,046,291	53,780,753
Total capital assets depreciated	4,735,124,727	–	(140,133,971)	148,082,968	4,743,073,724
Less accumulated depreciation and amortization:					
Administration and operating facilities	(336,478,299)	(11,172,291)	16,008,192	–	(331,642,398)
Park & Ride lots and transit centers	(240,869,896)	(10,594,696)	–	–	(251,464,592)
Buses and equipment	(695,838,681)	(65,902,550)	96,031,830	–	(665,709,401)
Rail cars	(179,045,763)	(19,065,991)	12,158	–	(198,099,596)
Rail infrastructure	(421,568,365)	(55,817,833)	–	–	(477,386,198)
Transitways/HOT lanes	(466,445,151)	(17,057,261)	–	–	(483,502,412)
Other property and equipment	(50,671,509)	(7,959,988)	27,744,085	–	(30,887,412)
Total accumulated depreciation and amortization	(2,390,917,664)	(187,570,610)	139,796,265	–	(2,438,692,009)
Total capital assets being depreciated, net	2,344,207,063	(187,570,610)	(337,706)	148,082,968	2,304,381,715
Total capital assets, net	$2,772,201,186	$ (93,099,048)	$ (682,106)	$ –	$2,678,420,032

Lease assets

METRO's long-term financial strategy includes using lease agreements which provide opportunities to expand/enhance transit services or earn additional income. During FY2022 METRO implemented Governmental Accounting Standards Board Statement No. 87, *Leases.* This statement generally requires a lease that exceeds one year to be reported in the financial statements and measured, at the inception of the lease, using the present value of future payments or cash receipts. The discount rate used to determine the present value is the lessor rate used in the lease, but if not available, then METRO's incremental borrowing rate.

Leases in which METRO is the lessee are recorded as a lease asset, with its related lease obligation, if the term of the agreement is more than one year. Agreements that otherwise would meet the definition of a lease with term of less than a year are expensed as incurred. Leased assets are amortized evenly over the lease term while the related lease obligation is amortized using the effective interest method using the same period. Leases in which METRO is the lessor are recorded as a lease receivable with its related deferred inflow. Lease receivables, and the related deferred inflows are amortized using the effective interest method over the lease team.

METRO has seven long-term leases, of which METRO is the lessee for four leases used to acquire capital assets and the lessor for three leases used to enhance future cash inflows.

METRO is the lessee on four leases which include:

- Transit center facilities lease which is active through September 30, 2072 and consist of land and a parking garage. The monthly rental fee for the garage is $93,952 and the land is $27,562. The garage rental does not change during the lease term while the land rental fee increases approximately 5% every five years. METRO is responsible for maintenance, utilities, repairs and a percentage of property taxes. Property is returned to the lessor at the end of the lease term.

- Non-revenue support vehicle leases with terms that vary between 36 and 60 months. Monthly rental cost is approximately $54,000 with vehicles returned to the lessor at the end of the lease. METRO is responsible for maintenance and insurance.

- Antenna site lease which provides a centralized downtown roof location for the placement of an antenna used in supporting effective communication within METRO and other local agencies. The monthly cost is approximately $4,200 with an annual increase of 5%. The antenna lease is active through March of 2028 with property returned to the lessor at the end of the lease term.

- Land lease for additional parking at the Hillcroft Transit Center which is active through January 2029. The annual rent is approximately $99,000 with METRO responsible for paving and maintaining the parking area. Property rights return to the lessor at the end of the lease term

METRO is the lessor for three leases which will enhance future cash inflows which include:

- Park & Ride Ground lease agreement for the development of a mixed-use residential and commercial facility on land owned by METRO. As part of the development program, METRO paid the lessee for the construction of a multilevel parking garage, transit center and other related improvements known as the Cypress Park & Ride Lot. The garage provides parking for tenants, Park & Ride patrons and is maintained by METRO with up to 20% of certain expenses billed to the lessee. METRO reimburses the tenant up to

32.84 percent of cost to maintain the drainage and detention pond. This lease is active through fiscal year 2105 with property rights, along with all improvements, returning to METRO at the end of the lease. METRO receives $50,000 annually in base rent, paid monthly, and can receive cash flow participation rent payments as earnings from the residential and commercial facility grow. Participation payments are calculated as 25% of the net cash flows of the leases less certain expenses, reasonable reserves, and the base rent. Participation rents received in FY2022 totaled $531,841 and related to calendar year 2019, 2020 and 2021. Participation rents are not included when calculating the present value of the lease receivable and deferred inflows.

- Office space rental at 1900 main to MET Tran Federal Credit Union which provides employees with easier access to financial services. The monthly rent is $2,489 with the lease active through February 2024. Utilities, cleaning and similar cost is paid for by METRO. Property rights return to METRO at the end of the lease term.

- Office space rental at Buffalo Bayou to Harris County Sheriff Department. The monthly rent is $45,562, which includes operating and maintenance cost with the lease active through June 2023. Property rights return to METRO at the end of the lease term.

Changes in lease assets and lease obligations for FY2022 and FY2021 consisted of:

	FY2022 Changes in Leased Assets					
	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna site	Parking at Hillcroft Transit Center	Total
Balance as of October 1, 2021	$ 10,188,180	$ 27,057,672	$ 1,802,288	$ 382,414	$ 882,173	$ 40,312,727
Additions	-	-	232,962	-	-	232,962
Retirements	-	-	-	-	-	-
Leased assets before amortization	10,188,180	27,057,672	2,035,250	382,414	882,173	40,545,689
Beginning amortization	(195,927)	(520,340)	(455,983)	(50,988)	(98,019)	(1,321,257)
Additions	(195,927)	(520,340)	(593,041)	(50,988)	(98,019)	(1,458,315)
Retirements	-	-	-	-	-	-
Ending amortization	(391,854)	(1,040,680)	(1,049,024)	(101,976)	(196,038)	(2,779,572)
Net leased assets as of September 30, 2022	$ 9,796,326	$ 26,016,992	$ 986,226	$ 280,438	$ 686,135	$ 37,766,117

FY2022 Changes in Lease Obligations

	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna Site	Parking at Hillcroft Transit Center	Total
Balance as of October 1, 2021	$ 10,133,418	$ 26,871,007	$ 1,360,426	$ 343,120	$ 785,053	$ 39,493,024
Additions	-	-	232,962	-	-	232,962
Retirements	(56,710)	(193,304)	(585,907)	(42,415)	(97,344)	(975,680)
Lease obligation as of September 30, 2022	$ 10,076,708	$ 26,677,703	$ 1,007,481	$ 300,705	$ 687,709	$ 38,750,306

FY2021 Changes in Leased Assets

	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna Site	Parking at Hillcroft Transit Center	Total
Balance as of October 1, 2020	$ 10,188,180	$ 27,057,672	$ 1,397,119	$ 382,414	$ 882,173	$ 39,907,558
Additions	-	-	405,169	-	-	405,169
Retirements	-	-	-	-	-	-
Lease asset before amortization	10,188,180	27,057,672	1,802,288	382,414	882,173	40,312,727
Beginning amortization	-	-	-	-	-	-
Additions	(195,927)	(520,340)	(455,983)	(50,988)	(98,019)	(1,321,257)
Retirements	-	-	-	-	-	-
Ending amortization	(195,927)	(520,340)	(455,983)	(50,988)	(98,019)	(1,321,257)
Net leased assets as of September 30, 2021	$ 9,992,253	$ 26,537,332	$ 1,346,305	$ 331,426	$ 784,154	$ 38,991,470

FY2021 Changes in Lease Obligations

	Transit Center Facilities Lease					
	Land	Garage	Support Vehicles	Antenna Site	Parking at Hillcroft Transit Center	Total
Balance as of October 1, 2020	$ 10,188,180	$ 27,057,672	$ 1,397,119	$ 382,414	$ 882,173	$ 39,907,558
Additions	-	-	405,169	-	-	405,169
Retirements	(54,762)	(186,665)	(441,862)	(39,294)	(97,120)	(819,703)
Lease obligation as of September 30, 2021	$ 10,133,418	$ 26,871,007	$ 1,360,426	$ 343,120	$ 785,053	$ 39,493,024

Future principal and interest payments for lease assets are reflected in the following table.

	Land		Garage		Support Vehicles	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 61,663	$ 285,625	$ 200,180	$ 927,240	$ 525,134	$ 19,292
2024	63,856	283,432	207,300	920,121	333,081	7,638
2025	66,127	281,160	214,673	912,748	142,953	1,768
2026	68,479	278,808	222,308	905,112	6,313	-
2027	70,915	276,373	230,215	897,205	-	-
2028-2032	413,962	1,409,298	1,279,875	4,357,225	-	-
2033-2037	517,655	1,396,767	1,524,258	4,112,842	-	-
2038-2042	647,323	1,362,821	1,815,305	3,821,796	-	-
2043-2047	770,924	1,239,219	2,161,924	3,475,176	-	-
2048-2052	964,033	1,146,618	2,574,728	3,062,372	-	-
2053-2057	1,148,108	962,542	3,066,354	2,570,746	-	-
2058-2062	1,435,698	780,485	3,651,852	1,985,248	-	-
2063-2067	1,709,834	506,349	4,349,147	1,287,953	-	-
2068-2072	2,138,131	188,862	5,179,584	457,515	-	-
	$ 10,076,708	$ 10,398,359	$ 26,677,703	$ 29,693,299	$ 1,007,481	$ 28,698

	Antenna Site		Parking at Hillcroft Transit Center		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 45,779	$ 6,703	$ 97,568	$ 1,356	$ 930,324	$ 1,240,216
2024	49,411	5,693	97,792	1,131	751,440	1,218,015
2025	53,333	4,525	98,017	906	575,103	1,201,107
2026	57,565	3,185	98,243	680	452,908	1,187,785
2027	62,133	1,653	98,469	454	461,732	1,175,685
2028-2032	32,484	187	197,620	227	1,923,941	5,766,937
2033-2037	-	-	-	-	2,041,913	5,509,609
2038-2042	-	-	-	-	2,462,628	5,184,617
2043-2047	-	-	-	-	2,932,848	4,714,395
2048-2052	-	-	-	-	3,538,761	4,208,990
2053-2057	-	-	-	-	4,214,462	3,533,288
2058-2062	-	-	-	-	5,087,550	2,765,733
2063-2067	-	-	-	-	6,058,981	1,794,302
2068-2072	-	-	-	-	7,317,715	646,377
	$ 300,705	$ 21,946	$ 687,709	$ 4,754	$ 38,750,306	$ 40,147,056

Changes in lease receivable and deferred inflows for FY2022 and FY2021 are reflected in the following tables with amortization of deferred inflows reported as rental income.

	FY2022 Changes in Lease Receivable and Deferred Inflows			
Lease Receivables	Park and Ride Ground Lease Agreement	Buffalo Bayou Office Space	1900 Main Office Space	Total
Balance as of October 1, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
Less current year amortization	(4,997)	(528,831)	(28,365)	(562,193)
Ending Balance September 30, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
Deferred Inflows				
Balance as of October 1, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
Less current year amortization	(4,997)	(528,831)	(28,365)	(562,193)
Ending Balance September 30, 2022	$ 1,626,071	$ 406,313	$ 41,547	$ 2,073,931
FY2022 interest income related to leases receivables	$ 45,003	$ 17,916	$ 1,505	$ 64,424

	FY2021 Changes in Lease Receivable and Deferred Inflows			
Lease Receivables	Park and Ride Ground Lease Agreement	Buffalo Bayou Office Space	1900 Main Office Space	Total
Balance as of October 1, 2020	$ 1,635,929	$ 1,449,580	$ 97,505	$ 3,183,014
Less current year amortization	(4,861)	(514,436)	(27,593)	(546,890)
Ending Balance September 30, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
Deferred Inflows				
Balance as of October 1, 2020	$ 1,635,929	$ 1,449,580	$ 97,505	$ 3,183,014
Less current year amortization	(4,861)	(514,436)	(27,593)	(546,890)
Ending Balance September 30, 2021	$ 1,631,068	$ 935,144	$ 69,912	$ 2,636,124
FY2021 interest income related to leases receivables	$ 45,139	$ 32,311	$ 2,278	$ 79,728

4. Retirement Plans

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

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

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

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

Changes in actuarial assumptions made during FY2022 and FY2021 for the TWUPP and the NUPP consisted of:

FY2022

TWUPP	NUPP
The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-2020. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-2020. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were used.

The change in mortality table, listed above, along with other economic and demographic gains/losses decreased the TWUPP net pension liability by $606,941 and increased the NUPP net pension liability by $2,596,850 during FY2022. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next three years.

FY2021

TWUPP	NUPP
The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-209. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2020. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table assumption for the prior valuation was the PubG-2010 projected forward (fully generational) with MP-2019. The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2020. Pub-2010 tables for disabled lives and Contingent Survivors were used. Retirement rates for 2021 are adjusted to 100% for the 61 participants that elected to retire under the 2020 Window Provision with a January 31, 2021 retirement date. Optional form of benefits reflects the actual form elected for the 61 participants that elected to retire under the 2020 window provision.

Changes in assumptions, listed above, along with other economic and demographic gains decreased the TWUPP net pension liability by $2,945,964 and the NUPP net pension liability by $2,671,812 during FY2021. The related changes in deferred inflows/outflows will be amortized, using the straight-line method, and reported as part of pension expense in the current and over the next four years.

The net pension liability, as of September 30, 2022, for both defined benefit pension plans was measured as of December 31, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2021. The actuarial valuation was based on the discount rate and actuarial assumptions listed below and projected forward to the measurement date, December 31, 2021, in accordance with GASB Statement No. 68.

The discount rate used to determine the total pension liability for both defined benefit pension plans was 6.25% which is the same as the long-term expected investment rate of return. The use of the same rate is only appropriate when the depletion analysis, which covers the life of the individual plan, has projected cash inflows from contributions and investment earnings which will equal or exceed the projected outflows for expenses and benefit payments.

The projected long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) were developed for each major asset class. These ranges are combined to produce the projected long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of the projected geometric, real rates of return for each major asset class included in the Plan's actual asset allocation as of January 1, 2022 are reflected later in this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2022 and September 30, 2021 were:

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2021	$ 112,846,798	$101,172,591	$ 214,019,389
Current year changes	(16,923,983)	(11,652,646)	(28,576,629)
Ending September 30, 2022	$ 95,922,815	$ 89,519,945	$ 185,442,760

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2020	$ 134,663,381	$114,724,190	$ 249,387,571
Current year changes	(21,816,583)	(13,551,599)	(35,368,182)
Ending September 30, 2021	$ 112,846,798	$101,172,591	$ 214,019,389

Pension Expenses Fiscal Year	TWUPP	NUPP	Total
2022	$ 5,726,540	$ 7,782,653	$ 13,509,193
2021	6,725,314	15,748,369	22,473,683

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

The deferred outflows and inflows for both defined benefit pension plans as of September 30, 2022 and September 30, 2021 were:

Deferred outflows for FY2022	TWUPP	NUPP	Total
Contributions between January 1, 2022 through September 30, 2022	$ 11,877,020	$ 10,071,995	$ 21,949,015
Difference between expected and actual economic/demographic experience	–	2,426,172	2,426,172
Change of assumption	567,349	3,345,234	3,912,583
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2022	$ 12,444,369	$ 15,843,401	$ 28,287,770

Deferred inflows for FY2022	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 1,678,361	$ 654,840	$ 2,333,201
Change of assumption	2,065,343	490,222	2,555,565
Net difference between projected and actual earnings on pension investments	27,097,913	15,872,564	42,970,477
Total deferred inflows September 30, 2022	$ 30,841,617	$ 17,017,626	$ 47,859,243

Deferred outflows for FY2021	TWUPP	NUPP	Total
Contributions between January 1, 2021 through September 30, 2021	$ 11,877,020	$ 10,071,995	$ 21,949,015
Difference between expected and actual economic/demographic experience	–	1,819,681	1,819,681
Change of assumption	2,908,572	5,830,431	8,739,003
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2021	$ 14,785,592	$ 17,722,107	$ 32,507,699

Deferred inflows for FY2021	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 2,217,463	$ 1,091,400	$ 3,308,863
Change of assumption	4,920,073	817,037	5,737,110
Net difference between projected and actual earnings on pension investments	19,230,808	11,000,554	30,231,362
Total deferred inflows September 30, 2021	$ 26,368,344	$12,908,991	$ 39,277,335

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

	TWUPP	NUPP
Valuation timing	January 1 of each year	January 1 of each year
Cost method	Entry age normal	Entry age normal
Inflation rate	2.3% per year IRS salary limit	2.3% per year IRS salary limit
Investment rate of return	6.25% per annum	6.25% per annum
Funding policy	Contributing annually the actuarially determined contribution requirement	Contributing annually the actuarially determined contribution requirement
Cost-of-living adjustments	None	None
Projected salary increases	3.00% per annum	3.00% per annum
Assumed annual retirement Rate	Varying percentage ranging from 0% to 100% for ages 55 and under through 70	Varying percentage ranging from 7.50% to 100% for ages 55 through 70 and over

	TWUPP	NUPP
Mortality and disabled Mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2020 used for December 31, 2020 measurement).	Pub-2010 Mortality, projected forward (fully generational) with MP-2021 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2020) used for December 31, 2020 measurement)
Open to new members	No (as of October 1, 2012)	No (as of October 1, 2007)

TWUPP Defined Benefit Pension Plan

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

The TWUPP was amended as part of the FY2021 labor negotiations. This amendment increased the benefit to $65 per year of service and requires participants to begin contributing $3 each week through payroll deductions. Employee contributions and the new employee retirement rate became effective on October 1, 2018. These changes do not apply to employees who retired prior to October 1, 2018.

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

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

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

Changes in plan participants between January 1, 2022 and January 1, 2021 were:

Participants	2022	2021	Change
Active	1,241	1,365	(124)
Terminated and vested	560	565	(5)
Retired	1,506	1,445	61
Disabled	175	178	(3)
Beneficiaries	382	370	12
Total for all participants	3,864	3,923	(59)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2021 with the amounts reported on METRO's September 30, 2022 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2022	2021
Total pension liability		
Changes for the year:		
Service cost	$ 4,675,028	$ 5,230,632
Interest on total pension liability	26,720,481	26,440,458
Changes of benefit terms	5,234,477	-
Difference between expected and actual experience	(1,472,895)	(1,065,945)
Changes of assumption	865,954	(1,880,019)
Benefit payments	(24,083,715)	(23,306,331)
Net change in total pension liability	11,939,330	5,418,795
Total pension liability beginning	434,712,038	429,293,243
Total pension liability ending	446,651,368	434,712,038
Plan fiduciary net position:		
Contributions from the employer	$ 15,836,027	$ 17,078,683
Members contributions	164,295	184,148
Net investment income	37,364,231	33,666,900
Benefit payments	(24,083,715)	(23,306,331)
Administrative expenses	(417,525)	(388,022)
Net change in plan fiduciary net position	28,863,313	27,235,378
Plan fiduciary net position - beginning	321,865,240	294,629,862
Plan fiduciary net position - ending	350,728,553	321,865,240
METRO's net pension liability	$ 95,922,815	$ 112,846,798

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the net pension liability for a 1% change in the discount rate as of September 30, 2022.

	1% Decrease to 5.25%	Current Discount Rate 6.25%	1% Increase to 7.25%
Net pension liability	$143,874,178	$ 95,922,815	$ 55,121,523

The best estimates of the projected geometric, real rates of return for each major asset class included in TWUPP actual asset allocation as of January 1, 2022 are listed below:

Asset Class	Index	Actual Allocation	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	0.19%	-0.52%
US Core Fixed Income	Barclays Aggregate	16.66%	0.66%
Global Bonds	Citi WGBI	7.72%	-0.27%
US Large & Mid Caps	Russell 1000	19.62%	2.68%
US Small Caps	Russell 2000	6.25%	2.98%
US Large Value	Russell 1000 Value	4.84%	2.94%
US MidCap Growth	Russell MidCap Growth	5.62%	2.42%
US MidCap Value	Russell MidCap Value	4.00%	2.74%
Global Equity	MSCI ACWI NR	4.05%	3.23%
Non-US Equity	MSCI ACWI xUS NR	12.26%	3.86%
Non-US Small Cap	S&P EPAC EMI	5.83%	4.01%
US REITs	FTSE NAREIT Equity REIT	12.88%	3.42%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.23%
Portfolio Real Mean Return			3.69%
Portfolio Nominal Mean Return			6.11%
Portfolio Standard Deviation			13.35%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2022 and FY2021 totaled $5,726,540 and $6,725,314, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The decrease in pension expense for FY2022 primarily relates to the amortization of deferred outflows.

A deferred outflow of $12,444,369 and a deferred inflow of $30,841,617 was reported on the statement of net position as of September 30, 2022. Included in the deferred outflow are contributions, by METRO, totaling $11,877,020 for the period January 1, 2022 through September 30, 2022. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2023	$ (7,596,847)
2024	(12,583,615)
2025	(6,591,949)
2026	(3,501,857)
Total	$(30,274,268)

NUPP Defined Benefit Pension Plan

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

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

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

Changes in plan participants between January 1, 2022 and January 1, 2021 were:

Participants	2022	2021	Change
Active	344	420	(76)
Terminated and vested	79	74	5
Retired	326	297	29
Disabled	–	–	–
Beneficiaries	67	64	3
Total participants	816	855	(39)

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2021 with amounts reported on METRO's September 30, 2022 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates)	
	2022	2021
Total pension liability		
Changes for the year		
Service cost	$ 3,167,837	$ 3,829,781
Interest on total pension liability	18,405,328	18,554,860
Effect of plan change	-	1,503,176
Difference between expected and actual experience	2,144,763	(1,527,960)
Changes of assumption	452,087	(1,143,852)
Benefit payments	(29,179,951)	(16,899,341)
Net change in total pension liability	(5,009,936)	4,316,664
Total pension liability beginning	305,686,266	301,369,602
Total pension liability ending	300,676,330	305,686,266
Plan fiduciary net position		
Contributions from the employer	13,447,958	14,236,592
Net investment income	22,699,453	20,882,287
Benefit payments	(29,179,951)	(16,899,341)
Administrative expenses	(324,750)	(351,276)
Net change in plan fiduciary net position	6,642,710	17,868,262
Plan fiduciary net position – beginning	204,513,675	186,645,413
Plan fiduciary net position – ending	211,156,385	204,513,675
METRO's net pension liability ending	$ 89,519,945	$ 101,172,591

Sensitivity Analysis Schedule, provided below, is used to evaluate the effect on the net pension liability for a 1% change in the discount rate as of September 30, 2022.

	1% Decrease to 5.25%	Current Discount Rate of 6.25%	1% Increase to 7.25%
Net pension liability	$ 120,581,076	$ 89,519,945	$ 63,086,535

The best estimates of the projected geometric, real rates of return for each major asset class included in the Plan's actual asset allocation as of January 1, 2022, are listed below.

Asset Class	Index	Actual Allocation	Long-Term Expected Real Geometric Rate of Return
US Cash	BAML 3-Mon Tbill	0.61%	-0.52%
US Core Fixed Income	Barclays Aggregate	17.60%	0.66%
Global Bonds	Citi WGBI	7.65%	-0.27%
US Large & Mid Caps	Russell 1000	19.52%	2.68%
US Small Caps	Russell 2000	2.65%	2.98%
US Small & Mid Caps	Russell 2500	3.89%	2.89%
US Large Value	Russell 1000 Value	3.98%	2.94%
US MidCap Growth	Russell MidCap Growth	8.17%	2.42%
Global Equity	MSCI ACWI NR	4.86%	3.23%
Non-US Equity	MSCI ACWI x US NR	11.56%	3.86%
Non-US Small Cap	S&P EPAC EMI	5.80%	4.01%
US REITs	FTSE NAREIT Equity REIT	13.71%	3.42%
Assumed Inflation – Mean			2.30%
Assumed Inflation – Standard Deviation			1.23%
Portfolio Real Mean Return			3.67%
Portfolio Nominal Mean Return			6.09%
Portfolio Standard Deviation			13.19%
Long-Term Expected Investment Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2022 and FY2021 totaled $7,782,653 and $15,748,369 and was reported on the statement of changes in net position for each fiscal year. The decrease in pension expense for FY2022 primarily relates to the amortization of deferred outflows.

A deferred outflow of $15,843,401 and a deferred inflow of $17,017,626 were reported on the statement of net position as of September 30, 2022. Included in the deferred outflow are contributions by METRO totaling $10,071,995 for the period January 1, 2022 through September 30, 2022. These contributions will be reflected in next year's actuarial report when determining financial information including pension expense. The remaining net flows will be amortized using the straight-line method over the next four years and reported as a part of pension expense as follows:

Fiscal Year	Amount
2023	$ 1,085,454
2024	(6,467,429)
2025	(3,781,940)
2026	(2,082,305)
Total	$ (11,246,220)

Defined Contribution Pension Plan (DCPP)
The NUPP was closed October 1, 2007 and the TWUPP was closed October 1, 2012 to new employees. Individuals hired after those dates are placed into a DCPP. As part of DCPP, METRO will contribute 2% of the employee's annual salary and will match up to an additional 4% of their contributions. All contributions are placed into a third-party trust account. Employee's vesting rates are 40% after the second year and 20% increase annually thereafter. Contributions by METRO for the current and previous two fiscal years were $9,255,573, $7,602,176, and $7,627,357, with employees contributing $8,697,142, $7,214,400, and $6,815,388.

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

The Union OPEB Plan is managed by the Transport Workers Union Metropolitan Transit Authority Health & Welfare Trust (Trust) which is a separate legal entity. The Trust is responsible for managing resources and establishing benefits for both active and retirees covered under the collective bargaining agreement. METRO's responsibility is limited to monthly contributions which are established during labor negotiations. Total monthly payments are based on the number of eligible participants (active and retirees) times a standard amount of $1,180 for FY2022. This amount will change annually and is based on the terms of the labor contract. To qualify for this retirement benefit, an employee must be (1) 60 years old with 5 years of credited service, (2) any age with 28 years of credited services, or (3) 55 years old with 25 years of credited service or meet disability qualifications. In addition to payments made to the Union OPEB Plan, METRO provides life insurance of $20,000 for each participant, increasing to $25,000 effective October 1, 2023. The Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

The Non-Union OPEB Plan is administered by METRO and covers full-time employees with payments made as services are provided. To qualify for this benefit, an employee must be (1) Age 65, or (2) 55 years or older with 5 years of credited services. Employees hired after December 31, 2009 are not eligible for postretirement medical and dental benefits but remain eligible for life insurance with a maximum benefit of $20,000, increasing to $25,000 effective October 1, 2023. Effective October 1, 2012, METRO moved post-65 retirees and spouses to Extend Health. This plan is capped at $2,801 per person annually and includes medical, dental, vision, and pharmacy. Inactive employees are not covered. The Non-Union OPEB Plan is not considered to be a plan administered through a trust as there is not a trust for accumulating plan assets that are dedicated in providing OPEB.

Employees covered by the OPEB Plans as of January 1, 2022 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,496	1,353
Retirees	1,223	676
Beneficiaries	130	63
Total of all participants	3,849	2,092

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

	Union OPEB Plan	Non-Union OPEB Plan
Measurement date	December 31, 2021	December 31, 2021
Valuation date	January 1, 2022	January 1, 2022
Reporting date	September 30, 2022	September 30, 2022
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return without prefunding	December 31, 2020: 2.12% December 31, 2021: 2.06%	December 31, 2020: 2.12% December 31, 2021: 2.06%
Medical benefits inflation	3.0% per year to apply for 2025 and after following scheduled increases	Varying percentage ranging from 3.7% to 5.7% from 2022 to 2075 and after
Funding policy	Pay-as-you-go	Pay-as-you-go
Assumed annual retirement rate	Varying percentage ranging from 0% to 100% for age 55 and under through 70	Varying percentage ranging from 7.5% to 100% for ages 55 through 70 and over
Coverage assumption	80% of active employees eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement. No current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately.	75% of employees eligible for retiree medical benefits are assumed to elect continued medical and dental coverage in retirement. They are assumed to elect coverage based on the medical plan elections of current under 65 retirees, and at age 65 active employees are assumed to move into the extended health plan.
Spousal coverage	Upon retirement, 60% of future retirees are assumed to have a spouse electing coverage. Males are assumed to be three years older than their spouse. Current retirees with a spouse date of birth are assumed to have a spouse electing coverage upon the retiree's death. Actual age of spouse is used if provided. Current retirees without a spouse date of birth are assumed to not have a spouse electing coverage upon the retiree's death.	Upon retirement, 50% of future retirees are assumed to have a spouse electing coverage. Males are assumed to be 3 years older than their spouse. Actual age of spouse is used if provided for current retirees, otherwise the assumption is used.
Demographic Assumption	Except where noted, all demographic assumptions are based on Milliman's Demographic Assumptions Study for the METRO Pension Plan for Union Employees dated April 8, 2020 and on the actuary's judgment and continual review of experience.	Except where noted, all demographic assumptions are based on Milliman's Demographic Assumptions Study for the METRO Pension Plan for Non-Union Employees dated April 8, 2020 and on the actuary's judgment and continual review of experience.

	Union OPEB Plan	Non-Union OPEB Plan
Inflation assumption	2.3% per annum, compound annually	2.3% per annum, compound annually
Salary increase	3.0% per annum, compound annually	3.0% per annum, compound annually
Disability	Varying percentage for ranging from 0.0% to 0.57% for age 25 through 64	0.00%
Withdrawal rates	Varying percentage ranging from 1.5% to 7% for service year 4 through 24 and after	Varying percentage ranging from 10.00% to 2% for service year from 7 to 28 and after
Mortality basis after normal retirement	PubG.H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and Contingent Survivors were also used.	PubG.H-2010 projected forward (fully generational) with MP-2021. Pub-2010 tables for disabled lives and contingent survivors were also used.
Open to new members	Yes	No (as of January 1, 2010)

Changes to actuarial assumptions used in preparing the FY2022 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Interest rate	Moved from 2.12% to 2.06%	Moved from 2.12% to 2.06%
Inflation	From 2.20% to 2.30%	From 2.20% to 2.30%
Mortality assumption	Updated to reflect the new MP-2021 mortality improvement scales released by the Society of Actuaries' Retirement Plans Experience Committee. Mortality was changed to reflect the most current table recommended by the Society of Actuaries. This change increased the total OPEB liability by approximately $2 million.	Updated to reflect the new MP-2021 mortality improvement scales released by the Society of Actuaries' Retirement Plans Experience Committee. Mortality was changed to reflect the most current table recommended by the Society of Actuaries. This change increased the total OPEB liability by approximately $148 thousand.
Per Capita Medical Benefit Costs and Medical Inflation	No changes	The assumed annual claims costs for all future retirees and spouses and medical inflation has been updated for the current year.

Change in the Net OPEB Liability for FY2022 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Balance as of September 30, 2021	$660,902,203	$ 91,218,844	$752,121,047
Current year changes			
Service cost	37,561,017	1,753,709	39,314,726
Interest on total OPEB liability	14,067,306	1,837,698	15,905,004
Plan changes	6,729,862	3,760,199	10,490,061
Economic/demographic gains	(27,838,697)	(4,429,161)	(32,267,858)
Assumption changes or inputs	9,174,556	814,289	9,988,845
Benefit payments	(14,219,270)	(3,738,677)	(17,957,947)
Balance as of September 30, 2022	$686,376,977	$ 91,216,901	$777,593,878
Covered-employee payroll	$123,182,360	$104,588,309	
Net OPEB liability as a percentage of covered-employee payroll	557.20%	87.22%	

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

Union OPEB Plan

1% Decrease 1.06%	Current Rate 2.06%	1% Increase 3.06%
$ 815,008,215	$ 686,376,977	$ 584,472,967

Non-Union OPEB Plan

1% Decrease 1.06%	Current Rate 2.06%	1% Increase 3.06%
$ 103,564,422	$ 91,216,901	$ 81,047,487

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

Union OPEB Plan

1% Decrease	Current Trend Rates	1% Increase
$ 580,101,506	$ 686,376,977	$ 823,925,715

Non-Union OPEB Plan

1% Decrease	Current Trend Rates	1% Increase
$ 87,941,439	$ 91,216,901	$ 95,138,108

During FY2022 METRO recognized OPEB cost totaling $66,579,074 of which $60,673,612 related to the Union and $5,905,462 related to the Non-Union plan. During FY2021 METRO recognized OPEB cost totaling $40,237,710 of which $37,580,348 related to the Union and $2,657,362 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

Deferred outflows for FY2022	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2022 through September 30, 2022	$ 10,795,242	$ 2,571,724	$ 13,366,966
Difference between expected and actual economic/demographic experience	8,678,328	1,994,550	10,672,878
Change of assumption	101,906,739	9,456,545	111,363,284
Total deferred outflows September 30, 2022	$121,380,309	$ 14,022,819	$135,403,128

Deferred inflows for FY2022	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 35,609,810	$ 8,762,734	$ 44,372,544
Change of assumption	31,763,060	1,374,760	33,137,820
Total deferred inflows September 30, 2022	$ 67,372,870	$ 10,137,494	$ 77,510,364

Deferred outflows for FY2021	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2021 through September 30, 2021	$ 10,680,481	$ 2,741,077	$ 13,421,558
Difference between expected and actual economic/demographic experience	10,055,841	2,401,601	12,457,442
Change of assumption	109,587,635	10,632,351	120,219,986
Total deferred outflows September 30, 2021	$130,323,957	$ 15,775,029	$146,098,986

Deferred inflows for FY2021	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 13,715,882	$ 6,631,347	$ 20,347,229
Change of assumption	41,735,829	2,920,275	44,656,104
Total deferred inflows September 30, 2021	$ 55,451,711	$ 9,551,622	$ 65,003,333

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

Fiscal Year	Union OPEB Plan	Non-Union OPEB Plan	Total
2023	$ 2,315,427	$ (1,105,341)	$ 1,210,086
2024	2,315,427	397,214	2,712,641
2025	2,415,294	564,166	2,979,460
2026	10,741,926	564,166	11,306,092
2027	12,786,129	1,010,004	13,796,133
Thereafter	12,637,994	(116,608)	12,521,386
Total	$ 43,212,197	$ 1,313,601	$ 44,525,798

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

5. Self-Insurance

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

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

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

Balance and related changes for the self-insured liability for FY2022 and FY2021 were:

	Balance at the Beginning of the Fiscal Year	Claims and Changes in Estimates	Claim Payments	Balance at the End of the Fiscal Year
October 1, 2021 - September 30, 2022	$ 18,282,473	$ 10,004,311	$ (9,514,672)	$ 18,772,112
October 1, 2020 - September 30, 2021	$ 19,441,200	$ 7,838,271	$ (8,996,998)	$ 18,282,473

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

6. Commitments and Contingencies

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

Outstanding Value of Contracts

METRO has various contracts for materials, services, and construction activities, some of which cover multiple fiscal years. The outstanding value of contracts as of September 30, 2022 was approximately $120.7 million. Payments to vendors will be made from sales tax collections, transit fares, debt proceeds, and grants.

Agreements to Fund Local Infrastructure Improvements and Mobility Programs

METRO makes payments to or on behalf of Harris County, the City of Houston, and the 14 cities (Multi-cities) within METRO's service area for infrastructure improvement and mobility programs. These payments were reauthorized on November 5, 2019 as part of the METRONext Moving Forward Plan and will continue through September 30, 2040. Funding for the program is provided by 25% of sales tax receipts with any growth after September 30, 2014 shared equally between METRO and the program. Final distribution of funds to the local governments within METRO's service area will be based on interlocal agreements as approved by the Board of Directors. Funds held and not yet disbursed at the end of FY2022 totaled $114,457,816.

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

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

METRO entered into an agreement on January 1, 2001 where one half of all METRO's sales and use tax collected within the MUD's service area would be remitted monthly and used by the MUD for the construction, acquisition, improvements and financing of transportation projects. This agreement is for a term of 30 years or until the MUD is annexed by the City of Houston for full purpose as provided in the Strategic Partnership Agreement. Amounts remitted during FY2022 and FY2021 totaled $2,243,291 and $2,068,939, respectively.

Houston Sports Authority Sales and Use Tax Revenue Contribution Agreement

METRO entered into an agreement on November 30, 2000 where METRO's sales and use tax revenue collected at Reliant Park would be remitted quarterly to the Harris County – Houston Sports Authority for use in supporting infrastructure improvements and payment of certain outstanding debt. This agreement remains in place until the related debt is paid but for no more than 40 years. Amounts remitted during FY2022 and FY2021 totaled $1,989,238 and $624,030.

Debt

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

Commercial Paper

METRO is authorized to issue up to $400 million in Sales and Use Tax Revenue Commercial Paper Notes (CP). These notes are supported by pledging 75% of METRO's Sales and Use Tax Revenue and interest earned on related investments.

To support the CP program in case of a remarketing failure, METRO established two revolving credit and term loan agreements totaling $165 million. A-1 is for $90 million with JPMorgan Chase Bank, National Association and expires on March 10, 2023. A-3 is for $75 million with State Street Bank and Trust Company and expires on March 11, 2024. For these two revolving credit and term loan agreements, METRO is required to pay an annual commitment fee for unused funds which ranges from 0.40% to 3.05% depending on the lowest credit rating issued by Moody or Standards and Poor's.

During the first quarter of FY 2023 METRO settled the outstanding balance of commercial paper which totaled $83.6 million.

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

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

Proceeds from CP were used to make payments for eliminating outstanding notes of the same series. Changes and outstanding CP by series as of September 30, 2022 were as follows:

Series	October 1, 2021	Proceeds	Repayments	September 30, 2022
A-1	$ 87,800,000	$ 315,550,000	$ (341,500,000)	$ 61,850,000
A-3	21,700,000	104,800,000	(104,800,000)	21,700,000
Total	$ 109,500,000	$ 420,350,000	$ (446,300,000)	$ 83,550,000

Series	Amount Issued	Maturity Date	Remaining Days Outstanding	Nominal Rate %
A-1	$ 29,100,000	11/16/2022	47	1.80
A-1	24,850,000	10/06/2022	6	1.35
A-1	7,900,000	11/14/2022	45	1.97
	61,850,000			
A-3	12,700,000	10/06/2022	6	1.33
A-3	9,000,000	11/14/2022	45	1.97
	21,700,000			
Total	$ 83,550,000			

Changes for CP by series for FY 2021 were as follows:

Series	October 1, 2020	Proceeds	Repayments	September 30, 2021
A-1	$ 94,100,000	$ 301,950,000	$ (308,250,000)	$ 87,800,000
A-3	21,700,000	86,800,000	(86,800,000)	21,700,000
Total	$ 115,800,000	$ 388,750,000	$ (395,050,000)	$ 109,500,000

Bonds and Contractual Obligations

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

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

	Sales and Use Tax Bonds and Contractual Obligations					
	Contractual Obligations Series 2014 (Rail Vehicles)		Contractual Obligations Series 2015B (Buses)		Sales and Use Tax Refunding Bonds Series 2016A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 8,505,000	$ 1,129,875	$ 5,260,000	$ 1,662,750	$ 4,615,000	$ 5,734,625
2024	8,945,000	693,625	5,530,000	1,393,000	–	5,619,250
2025	9,400,000	235,000	5,810,000	1,109,500	16,470,000	5,207,500
2026	–	–	6,110,000	811,500	17,315,000	4,362,875
2027	–	–	6,425,000	498,125	18,210,000	3,474,750
2028-2032	–	–	6,750,000	168,750	60,390,000	4,629,753
2033-2037	–	–	–	–	–	–
2038-2042	–	–	–	–	–	–
2043-2047	–	–	–	–	–	–
	$26,850,000	$ 2,058,500	$35,885,000	$ 5,643,625	$117,000,000	$29,028,753

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Contractual Obligations Series 2016B		Sales and Use Tax Bonds Series 2016D (Buses)		Sales and Use Tax Refunding Bonds Series 2017A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ –	$ 1,105,425	$ 4,445,000	$ 1,444,375	$ 2,775,000	$ 1,076,625
2024	1,600,000	1,065,425	4,445,000	1,222,125	13,860,000	660,750
2025	1,685,000	983,300	4,445,000	999,875	3,065,000	237,625
2026	1,770,000	896,925	4,445,000	777,625	3,220,000	80,500
2027	1,860,000	806,175	4,445,000	555,375	–	–
2028-2032	10,795,000	2,548,988	8,885,000	444,125	–	–
2033-2037	5,075,000	256,875	–	–	–	–
2038-2042	–	–	–	–	–	–
2043-2047	–	–	–	–	–	–
	$22,785,000	$ 7,663,113	$31,110,000	$ 5,443,500	$22,920,000	$ 2,055,500

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Contractual Obligations Series 2017B		Direct Placement Refunding Bonds Series 2017C		Sales and Use Tax Contractual Obligations Series 2018	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 15,660,000	$ 3,681,500	$ 500,000	$ 532,570	$ 9,015,000	$ 5,726,125
2024	18,150,000	2,836,250	515,000	520,847	9,485,000	5,263,625
2025	14,550,000	2,018,750	525,000	508,835	11,230,000	4,745,750
2026	6,605,000	1,489,875	540,000	496,535	11,740,000	4,171,500
2027	26,495,000	2,732,375	10,490,000	493,127	12,380,000	3,568,500
2028-2032	–	–	10,735,000	–	57,725,000	8,025,375
2033-2037	–	–	–	–	4,595,000	1,067,875
2038-2042	–	–	–	–	1,940,000	482,250
2043-2047	–	–	–	–	920,000	46,500
	$ 81,460,000	$12,758,750	$23,305,000	$ 2,551,914	$119,030,000	$33,097,500

	Sales and Use Tax Bonds and Contractual Obligations					
	Sales and Use Tax Refunding Bonds Series 2019A		Sales and Use Tax Refunding Bonds Taxable Series 2019B		Sales and Use Tax Refunding Bonds Taxable Series 2020A	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ –	$ 3,206,000	$ –	$ 470,493	$ 7,870,000	$ 7,889,947
2024	–	3,206,000	–	470,493	1,930,000	7,811,562
2025	–	3,206,000	–	470,494	1,965,000	7,779,248
2026	–	3,206,000	1,510,000	456,707	2,000,000	7,744,723
2027	–	3,206,000	1,510,000	428,606	2,035,000	7,707,288
2028-2032	11,950,000	15,439,750	18,715,000	1,251,732	29,780,000	37,586,378
2033-2037	35,430,000	8,784,750	–	–	102,350,000	28,905,777
2038-2042	16,740,000	847,000	–	–	152,100,000	12,582,521
2043-2047	–	–	–	–	–	–
	$ 64,120,000	$41,101,500	$21,735,000	$ 3,548,525	$300,030,000	$118,007,444

	Sales and Use Tax Bonds	
	Sales and Use Tax Refunding Bonds Taxable Series 2021A	
Fiscal Year	Principal	Interest
2023	$ 890,000	$ 607,522
2024	895,000	602,094
2025	900,000	595,000
2026	10,605,000	527,328
2027	540,000	459,948
2028-2032	24,495,000	906,398
2033-2037	–	–
2038-2042	–	–
2043-2047	–	–
	$ 38,325,000	$3,698,290

Total Sales and Use Tax Bonds and Contractual Obligations

	Public Placement		Direct Placement		Total		
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Total
2023	$ 59,035,000	$ 33,735,262	$ 500,000	$ 532,570	$ 59,535,000	$ 34,267,832	$ 93,802,832
2024	64,840,000	30,844,200	515,000	520,847	65,355,000	31,365,047	96,720,047
2025	69,520,000	27,588,042	525,000	508,835	70,045,000	28,096,877	98,141,877
2026	65,320,000	24,525,558	540,000	496,535	65,860,000	25,022,093	90,882,093
2027	73,900,000	23,437,142	10,490,000	493,127	84,390,000	23,930,269	108,320,269
2028-2032	229,485,000	71,001,248	10,735,000	–	240,220,000	71,001,248	311,221,248
2033-2037	147,450,000	39,015,277	–	–	147,450,000	39,015,277	186,465,277
2038-2042	170,780,000	13,911,771	–	–	170,780,000	13,911,771	184,691,771
2043-2047	920,000	46,500	–	–	920,000	46,500	966,500
	$881,250,000	$264,105,000	$23,305,000	$ 2,551,914	$904,555,000	$266,656,914	$1,171,211,914

Principal payments for Sales and Use Tax Bonds and Contractual Obligations that were reported as a current liability on the Statement of Net Position for FY2022 and FY2021 included:

	Scheduled Principal Payments	
	FY2022	FY2021
Contractual Obligations Series 2010A	$ –	$ 4,040,000
Bonds Series 2011A	–	10,340,000
Bonds Series 2011B	–	9,575,000
Contractual Obligations Series 2014	8,505,000	8,090,000
Contractual Obligations Series 2015B	5,260,000	5,000,000
Sales and Use Tax Bonds Series 2016A (Refunding)	4,615,000	4,390,000
Contractual Obligations Series 2016B	–	1,460,000
Sales and Use Tax Bonds Series 2016C (Refunding)	–	–
Sales and Use Tax Bonds Series 2016D	4,445,000	4,445,000
Refunding Bonds Series 2017A	2,775,000	2,635,000
Contractual Obligations Series 2017B	15,660,000	11,695,000
Direct Place Refunding Bonds Series 2017C	500,000	490,000
Contractual Obligations Series 2018	9,015,000	–
Refunding Bonds Taxable Series 2019B	–	1,080,000
Refunding Bonds Taxable Series 2020A	7,870,000	2,065,000
Refunding Bonds Taxable Series 2021A	890,000	–
Total	$ 59,535,000	$ 65,305,000

Changes for FY2022 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2021 Principal	Additions	Principal Payments	October 1, 2021 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2022
Public Placement						
2010A	$ 4,040,000	$ –	$ (4,040,000)	$ 103,123	$ (103,123)	$ –
2011A	10,340,000	–	(10,340,000)	–	–	–
2011B	9,575,000	–	(9,575,000)	381,820	(381,820)	–
2014	68,385,000	–	(41,535,000)	8,354,707	(5,153,200)	30,051,507
2015B	40,885,000	–	(5,000,000)	5,311,706	(885,284)	40,311,422
2016A	121,390,000	–	(4,390,000)	19,648,038	(2,183,115)	134,464,923
2016B	24,245,000	–	(1,460,000)	4,145,430	(345,452)	26,584,978
2016D	35,555,000	–	(4,445,000)	4,628,698	(578,587)	35,160,111
2017A	25,555,000	–	(2,635,000)	2,985,987	(597,197)	25,308,790
2017B	93,155,000	–	(11,695,000)	13,749,923	(1,527,769)	93,682,154
2018	119,030,000	–	–	15,471,440	(1,532,907)	132,968,533
2019A	64,120,000	–	–	17,751,980	(986,221)	80,885,759
2019B	22,815,000	–	(1,080,000)	–	–	21,735,000
2020A	302,095,000	–	(2,065,000)	–	–	300,030,000
2021A	–	38,325,000	–	–	–	38,325,000
Subtotal	$ 941,185,000	$ 38,325,000	$ (98,260,000)	$ 92,532,852	$ (14,274,675)	$ 959,508,177
Direct Placement						
2017C	23,795,000	–	(490,000)	–	–	23,305,000
Subtotal	$ 23,795,000	$ –	$ (490,000)	$ –	$ –	$ 23,305,000
Total	$ 964,980,000	$ 38,325,000	$ (98,750,000)	$ 92,532,852	$ (14,274,675)	$ 982,813,177

Changes for FY2021 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2020 Principal	Additions	Principal Payments	October 1, 2020 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2021
Public Placement						
2010A	$ 6,885,000	$ –	$ (2,845,000)	$ 206,245	$ (103,122)	$ 4,143,123
2011A	20,175,000	–	(9,835,000)	783,030	(783,030)	10,340,000
2011B	9,575,000	–	–	572,732	(190,910)	9,956,822
2014	76,085,000	–	(7,700,000)	9,548,237	(1,193,530)	76,739,707
2015B	45,645,000	–	(4,760,000)	6,196,990	(885,284)	46,196,706
2016A	121,390,000	–	–	21,831,154	(2,183,116)	141,038,038
2016B	25,635,000	–	(1,390,000)	4,490,883	(345,453)	28,390,430
2016D	40,000,000	–	(4,445,000)	5,207,285	(578,587)	40,183,698
2017A	29,995,000	–	(4,440,000)	3,583,184	(597,197)	28,540,987
2017B	100,950,000	–	(7,795,000)	15,277,692	(1,527,769)	106,904,923
2018	119,030,000	–	–	17,004,348	(1,532,908)	134,501,440
2019A	64,120,000	–	–	18,738,201	(986,221)	81,871,980
2019B	23,880,000	–	(1,065,000)	–	–	22,815,000
2020A	304,130,000	–	(2,035,000)	–	–	302,095,000
Subtotal	$ 987,495,000	$ –	$ (46,310,000)	$ 103,439,981	$ (10,907,127)	$ 1,033,717,854
Direct Placement						
2016C	11,390,000	–	(11,390,000)	–	–	–
2017C	24,275,000	–	(480,000)	–	–	23,795,000
Subtotal	$ 35,665,000	$ –	$ (11,870,000)	$ –	$ –	$ 23,795,000
Total	$ 1,023,160,000	$ –	$ (58,180,000)	$ 103,439,981	$ (10,907,127)	$ 1,057,512,854

During FY2022 METRO issued a new debt obligation "Sales and Use Tax Refunding Bonds, Taxable Series 2021A" of $38,325,000.

A portion of the proceeds from the Taxable Bonds will be used to establish a cash deposit and to acquire certain US Treasury Notes (the "T-Notes" or the "Escrowed Securities") to refund the Issuer's Sales and Use Tax Contractual Obligations, Series 2014 as reflected in the following schedule:

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2021A
Sales and Use Tax Contractual Obligations, Series 2014	$33,445,000
Premium	4,086,031
Total amount of defeased debt	37,531,031
Other related activity	
Issuance cost	437,554
Underwriter's discount	184,597
Proceeds of debt service funds	-
Total other related activity	622,151
Total amount of defeased debt and other related activity	38,153,182
Replacement debt	
Par value	38,325,000
Total replacement debt and premium	38,325,000
Deferred outflows from in-substance debt refunding	171,818
Current year amortization	(13,269)
Ending balance of deferred outflows as of September 30, 2022	158,549
Net present value savings	$ 1,845,101
Interest rate used in the net present value calculation	1.71%

Changes in deferred outflows and inflows for FY2022 and FY2021 relating to in-substance debt refunding activity include:

	Changes in FY2022 Deferred Outflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2021	Addition	Amortization	Ending Balance as of September 30, 2022
Sales and Use Tax Refunding Bonds Series 2016A	$ 163,796	$ –	$ (163,796)	$ –
Sales and Use Tax Bonds Series 2017C	275,248	–	(91,749)	183,499
Sales and Use Tax Refunding Bonds Series 2019A	2,949,480	–	(213,774)	2,735,706
Sales and Use Tax Refunding Bonds Series 2019B	77,341	–	(14,217)	63,124
Sales and Use Tax Refunding Bonds Series 2021A	–	171,818	(13,269)	158,549
	$ 3,465,865	$ 171,818	$ (496,805)	$ 3,140,878

	Changes in FY2022 Deferred Inflows from In-substance Debt Refunding			
	Ending Balance as of September 30, 2021	Addition	Amortization	Ending Balance as of September 30, 2022
Sales and Use Tax Refunding Contractual Obligations Series 2020A	$ (844,849)	$ –	$ 52,503	$ (792,346)
	$ (844,849)	$ –	$ 52,503	$ (792,346)

	Changes in FY2021 Deferred Outflows from In-substance Debt Refunding			
	Beginning Balance as of October 1, 2020	Addition	Amortization	Ending Balance as of September 30, 2021
Sales and Use Tax Refunding Bonds Series 2016A	$ 1,883,650	$ –	$(1,719,854)	$ 163,796
Sales and Use Tax Refunding Bonds Series 2017A	429,381	–	(429,381)	–
Sales and Use Tax Bonds Series 2017C	366,998	–	(91,750)	275,248
Sales and Use Tax Refunding Bonds Series 2019A	3,163,254	–	(213,774)	2,949,480
Sales and Use Tax Refunding Bonds Series 2019B	91,557	–	(14,216)	77,341
	$ 5,934,840	$ –	$(2,468,974)	$ 3,465,865

	Changes in FY2021 Deferred Inflows from In-substance Debt Refunding			
	Beginning balance as of October 1, 2020	Addition	Amortization	Ending Balance as of September 30, 2021
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ (234,311)	$ –	$ 234,311	$ –
Sales and Use Tax Refunding Contractual Obligations Series 2020A	(897,352)	–	52,503	(844,849)
	$(1,131,663)	$ –	$ 286,814	$ (844,849)

In years prior to FY2022 METRO refunded certain debt obligations by issuing new debt and placing those proceeds into an irrevocable trust. The Trust used the proceeds to purchase governmental securities that will be used in making all future interest and principal payments over the remaining life of the debt as they become due. Debt related to these in-substance defeasance are no longer included in METRO's financial statements and their remaining outstanding par value as of September 30, 2022 totaled $59,615,000.

Fuel Hedge Policy

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

Outstanding Diesel Fuel Swaps

METRO had 3 diesel fuel swaps totaling 7,686,000 gallons outstanding as of September 30, 2022 of which 2 swaps totaling 672,000 gallons will settle in FY2023 and 1 swap totaling 7,014,000 gallons will settle in FY2024.

Market values of the outstanding swaps are calculated by the counterparties, Goldman, Sachs & Co. and Bank of America Merrill Lynch which are nationally recognized commodity traders. Outstanding hedges for last two years had negative value of $1,378,049 for FY 2022 and positive value of $7,127,948 for FY 2021. Both amounts are reported on the Statements of Net Position as a deferred outflow of resources and a deferred inflow of resources. Swaps which settled during the last two fiscal years decreased diesel fuel cost by $15,011,582 for FY2022 and decreased diesel fuel cost by $85,852 for FY2021. These amounts were included as part of current operating cost in the Statements of Revenues, Expenses, and Changes in Net Position.

Compensated Absences

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

	Beginning Balance	Expensed	Additions	Ending Balance
October 1, 2021 - September 30, 2022	$ 17,574,049	$ (20,405,631)	$ 21,688,977	$ 18,857,395
October 1, 2020 - September 30, 2021	$ 18,711,842	$ (19,965,786)	$ 18,827,993	$ 17,574,049

Contingencies

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

Federal and State Grants

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

Other Interlocal Agreements

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

7. Subsequent Events

MTA Non-Union OPEB Plan

The discount rate used to calculate the OPEB liability is based on the Bond Buyer's 20-year General Obligation Index at the end of the previous calendar year. The rate used in FY2022 was 2.06 percent and will increase to 3.72 percent for the FY2023 calculation. If the discount rate of 3.72 percent was used in FY2022 the OPEB liability would have decreased by $15.9 million from $91.2 million to $75.3 million or 17.5%.

MTA Union OPEB Plan

The discount rate used to calculate the OPEB liability is based on the Bond Buyer's 20-year General Obligation Index at the end of the previous calendar year. The rate used in FY2022 was 2.06 percent and will increase to 3.72 percent for the FY2023 calculation. If the discount rate of 3.72 percent was used in FY2022 the OPEB liability would have decreased by $157.7 million from $686.4 million to $528.7 million or 23.0%.

TWUPP

METRO's Board approved an amended to this defined benefit pension plan which allows employees covered by the collective bargaining agreement who are at least 60 years old, with a minimum of 5 years of service, and not currently accruing a Non-Union Pension Plan benefit the option to begin receiving their monthly Union pension benefit while continuing to work for METRO. This amendment became effective October 1, 2022 and resulted in an increase in the total pension liability of approximately $7.3 million. This change will be reflected in the FY2023 actuarial report.

Debt

During the first quarter of FY 2023 METRO paid off the outstanding balance of commercial paper balance totaling $83.6 million.

Required Supplementary Information

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

	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Changes for the year							
Service cost	$ 4,675,028	$ 5,230,632	$ 4,955,904	$ 4,647,472	$ 4,930,225	$ 5,328,754	$ 5,549,985
Interest on total pension liability	26,720,481	26,440,458	27,493,889	25,779,685	25,075,414	24,589,485	24,786,145
Changes of benefit terms	5,234,477	–	–	13,850,732	–	–	–
Difference between expected and actual experience	(1,472,895)	(1,065,945)	(1,881,792)	(4,970,092)	(2,012,736)	(10,556,008)	(2,780,567)
Changes of assumption	865,954	(1,880,019)	(8,162,008)	22,299,060	(2,089,318)	(5,369,295)	25,679,785
Benefit payments	(24,083,715)	(23,306,331)	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Net change in total pension liability	11,939,330	5,418,795	471,803	41,811,660	7,104,045	(3,663,588)	36,667,939
Total pension liability - beginning	434,712,038	429,293,243	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384
Total pension liability - ending	446,651,368	434,712,038	429,293,243	428,821,440	387,009,780	379,905,735	383,569,323
Plan fiduciary net position							
Contributions from the employer	15,836,027	17,078,683	17,805,961	15,680,817	15,413,823	16,565,280	19,062,423
Member contributions	164,295	184,148	199,644	–	–	–	–
Recognized Gain/(Loss)	–	–	–	(20,344,177)	39,154,613	–	–
Net investment income	37,364,231	33,666,900	44,495,454	(18,516,579)	40,369,630	17,696,392	(7,809,891)
Benefit payments	(24,083,715)	(23,306,331)	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Administrative expenses	(417,525)	(388,022)	(337,196)	(326,240)	(314,986)	(277,833)	(314,046)
Net change in plan fiduciary net position	28,863,313	27,235,378	40,229,673	(22,957,199)	36,668,927	16,327,315	(5,628,923)
Plan fiduciary net position – beginning	321,865,240	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069
Plan fiduciary net position – ending	350,728,553	321,865,240	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146
METRO's ending net pension liability	$95,922,815	$112,846,798	$134,663,381	$174,421,251	$109,652,392	$139,217,274	$159,208,177
Plan fiduciary net position as a percentage of the total pension liability	78.52%	74.04%	68.63%	59.33%	71.67%	63.35%	58.49%
Covered-employee payroll	$ 83,722,438	$ 90,601,821	$ 94,602,405	$ 97,251,000	$103,246,000	$106,575,000	$ 93,228,000
METRO's net pension liability as a percentage of covered-employee payroll	114.57%	124.55%	142.35%	179.33%	106.21%	130.63%	170.77%

Notes to the Schedule

The following schedule summarized the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.67 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2016.

	2022	2021	2020	2019	2018	2017	2016
The net effect of updating mortality table and other actuarial/demographic assumptions	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Investment income	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No
Pension benefits	No change	No Change	No change	Increase	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Required Supplementary Information

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

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-employee Payroll (000)	Contribution as a % of Covered-employee Payroll
2022	$ 15,836,027	$ 15,836,027	$ –	$ 83,722,438	18.91%
2021	17,078,683	17,078,683	–	90,601,821	18.85%
2020	17,805,961	17,805,961	–	94,602,405	18.82%
2019	15,631,361	15,680,817	(49,456)	97,251,000	16.12%
2018	15,413,823	15,413,823	–	103,246,000	14.93%
2017	16,565,280	16,565,280	–	106,575,000	15.54%
2016	15,410,109	19,062,423	(3,652,314)	93,228,000	20.45%
2015	13,477,182	13,477,182	–	92,277,000	14.61%
2014	14,335,058	14,335,058	–	91,830,000	15.61%
2013	14,444,476	14,444,476	–	94,043,000	15.36%

Notes to the Schedule

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

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	22 years
Inflation	2.3%, adopted for December 31, 2021 measurement and beyond (updated from 2.2% used for December 31, 2020 measurement)
Salary increase	3.00%, adopted for December 31, 2019 measurement and beyond
Investment rate of return	6.25%, adopted for December 31, 2019 measurement and beyond (updated from 6.50% used for December 31, 2018 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 0% to 100% for ages 55 and under through 70
Turnover	Varying percentage ranging from 7.00% to 1.50% for service years 4 through 24 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2020 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2019 used for December 31, 2020 measurement)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability
For the Non-Union Pension Plan
For the Years Ending September 30
(Unaudited)

	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	$ 3,167,837	$ 3,829,781	$ 3,105,642	$ 3,034,984	$ 3,210,922	$ 3,465,270	$ 2,782,533
Interest on total pension liability	18,405,328	18,554,860	17,962,017	17,395,632	16,923,319	16,607,887	15,165,652
Changes of benefit terms	–	1,503,176	–	–	–	–	–
Difference between expected and actual experience	2,144,763	(1,527,960)	3,547,049	872,882	(2,443,045)	9,768,147	6,720,589
Changes of assumption	452,087	(1,143,852)	11,310,122	11,269,963	(948,458)	2,530,507	12,232,736
Benefit payments	(29,179,951)	(16,899,341)	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Net change in total pension liability	(5,009,936)	4,316,664	20,589,636	19,838,234	3,563,067	21,997,229	28,123,760
Total pension liability - beginning	305,686,266	301,369,602	280,779,967	260,941,732	257,378,665	235,381,436	207,257,676
Total pension liability - ending	300,676,330	305,686,266	301,369,603	280,779,966	260,941,732	257,378,665	235,381,436
Plan fiduciary net position							
Contributions from the employer	13,447,958	14,236,592	12,647,252	11,073,254	11,307,275	11,181,136	11,248,671
Net investment income	22,699,453	20,882,287	27,048,695	(11,548,267)	25,029,850	9,971,104	(5,890,916)
Benefit payments	(29,179,951)	(16,899,341)	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Administrative expenses	(324,750)	(351,276)	(280,380)	(241,979)	(243,606)	(226,067)	(235,357)
Net change in plan fiduciary net position	6,642,710	17,868,262	24,080,373	(13,452,219)	22,913,848	10,551,591	(3,655,352)
Plan fiduciary net position – beginning	204,513,675	186,645,413	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172
Plan fiduciary net position – ending	211,156,385	204,513,675	186,645,413	162,565,040	176,017,259	153,103,411	142,551,820
METRO's ending net pension liability	$89,519,945	$101,172,591	$114,724,190	$118,214,926	$84,924,473	$104,275,254	$ 92,829,616
Plan fiduciary net position as a percentage of the total pension liability	70.23%	66.90%	61.93%	57.90%	67.45%	59.49%	60.56%
Covered-employee payroll	40,062,815	$39,026,869	$40,747,394	$41,769,919	$43,479,995	$46,853,004	$44,837,816
METRO's net pension liability as a percentage of covered-employee payroll	223.45%	259.24%	281.55%	283.01%	195.32%	222.56%	207.03%

Notes to the Schedule

The following schedule summarized the effect on the net pension liability for changes in significant actuarial assumptions, investment income, participant benefits, and funding method by fiscal year. GASB Statement No.67 allows governments to report the required 10 years of historical information prospectively. This standard was implemented during FY2016

	2022	2021	2020	2019	2018	2017	2016
The net effect of updating mortality tables and other assumptions	Increase	Decrease	Increase	Increase	Decrease	Increase	Increase
Investment income	Decrease	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No	No
Pension benefits	No change	No Change	No change	No change	No change	No change	No change
100% funding of the actuarially determined contribution	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Required Supplementary Information

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

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered-employee Payroll	Contribution as a % of Covered-employee Payroll
2022	$13,429,326	$13,447,958	$ (18,632)	$ 40,062,815	33.57%
2021	14,217,959	14,236,592	(18,633)	39,026,869	36.48%
2020	12,628,619	12,647,252	(18,633)	40,747,394	31.04%
2019	11,060,833	11,073,254	(12,421)	41,769,919	26.51%
2018	11,307,275	11,307,275	–	43,479,995	26.01%
2017	11,181,136	11,181,136	–	46,853,004	23.86%
2016	8,911,253	11,248,671	(2,337,418)	44,837,816	25.09%
2015	9,006,301	9,006,301	–	45,601,509	19.75%
2014	8,847,436	8,847,436	–	44,388,906	19.93%
2013	8,215,493	8,215,493	–	47,184,896	17.41%

Notes to the Schedule

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

Valuation timing	Actuarially determined contribution amounts are calculated based on valuations performed as of January 1st, 20 months prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost method	Entry age normal (Level Percent of Salary)
Amortization method	Level dollar
Remaining amortization period	22 years
Inflation	2.3%, adopted for December 31, 2021 measurement and beyond (updated from 2.2% used for December 31, 2020 measurement)
Salary increase	3.00%, adopted for December 31, 2019 measurement and beyond
Investment rate of return	6.25%, adopted for December 31, 2019 measurement and beyond (updated from 6.50% used for December 31, 2018 measurement)
Cost of living adjustments	None
Assumed annual retirement rate	Varying percentage ranging from 7.50% to 100% for ages 55 through 70 and over
Turnover	Varying percentage ranging from 10.00% to 2.00 for service years 7 and under through 28 and over
Mortality and disabled mortality	Pub-2010 Mortality, projected forward (fully generational) with MP-2020 (updated from Pub-2010 Mortality, projected forward (fully generational) with MP-2018 used for December 31, 2019 measurement)
Lump Sum Election	50% of participants are assumed to take a lump sum distribution at termination. Updated per 2019 METRO Experience Study.

Required Supplementary Information

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

	Trust		
	2022	2021	2020
Beginning Balance	$660,902,203	$563,006,303	$482,016,117
Current year changes			
Service cost	37,561,017	28,699,491	23,157,395
Interest on total OPEB liability	14,067,306	16,014,096	19,848,654
Plan changes	6,729,862	-	-
Economic/demographic (gains)/ losses	(27,838,697)	11,433,354	(15,094,587)
Assumption changes or inputs	9,174,556	67,119,837	65,645,427
Aggregate effect of recording FYE 2018 and FYE 2019 uncorrected audit misstatements in current year	-	(11,937,218)	-
Benefit payments	(14,219,270)	(13,433,660)	(12,566,703)
Ending Balance	$686,376,977	$660,902,203	$563,006,303
Covered-employee payroll	$123,182,360	$139,838,479	$121,276,540
Net OPEB liability as a percentage of covered-employee payroll	557.20%	472.62%	464.23%

	Non-Union		
	2022	2021	2020
Beginning Balance	$ 91,218,844	$ 77,480,901	$ 78,188,858
Current year changes			
Service cost	1,753,709	1,844,880	1,259,886
Interest on total OPEB liability	1,837,698	2,208,631	2,874,234
Plan changes	3,760,199	-	3,002,579
Economic/demographic gains	(4,429,161)	2,808,652	(7,942,052)
Assumption changes or inputs	814,289	9,941,899	2,967,113
Benefit payments	(3,738,677)	(3,066,119)	(2,869,717)
Ending Balance	$ 91,216,901	$ 91,218,844	$ 77,480,901
Covered-employee payroll	$104,588,309	$107,647,622	$ 92,383,938
Net OPEB liability as a percentage of covered-employee payroll	87.22%	84.74%	83.87%

No assets are accumulated in a trust for OPEB plans.

Notes to the Schedule

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

	Trust			Non-Union		
	2022	2021	2020	2022	2021	2020
The net effect of updating mortality table and other actuarial/ demographic assumptions	Decrease	Increase	Decrease	Decrease	Increase	Decrease
Open to new participants	Yes	Yes	Yes	No	No	No
OPEB Benefits	Increase	No change	No change	Increase	Increase	Increase
Pay-as-you-go	No change	No change	No change	No change	No change	No change

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Statistical Section (Unaudited)
Provides Multiyear Financial and Operating Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic condition.

Statistical section information should be presented in five categories; financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

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

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

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

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

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

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

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2022 and the Last Nine Years (Reporting Date)
(Unaudited)

	2022	2021	2020	2019
Assets				
Cash	$ 7,986,555	$ 8,824,981	$ 10,433,095	$ 19,380,709
Investments	812,603,961	605,405,807	497,023,144	351,422,195
Investments - restricted	69,637,438	77,599,586	62,320,071	40,765,567
Receivables				
Sales tax	167,306,634	153,116,359	126,006,222	129,554,693
Federal government - Federal Transit Administration	3,166,118	306,221,678	5,280,107	5,825,675
Bus passes and other receivables	19,427,520	6,363,579	3,278,447	8,689,553
Total receivables	189,900,272	465,701,616	134,564,776	144,069,921
Material and supplies inventory	46,106,776	42,378,938	41,339,021	35,928,117
Derivative instrument – diesel fuel swaps	–	7,127,948	–	–
Total current assets	1,126,235,002	1,207,038,876	745,680,107	591,566,509
Noncurrent assets				
Investments – restricted	27,013,768	28,017,293	59,624,894	107,760,712
Capital assets, net of depreciation	2,598,663,652	2,678,420,032	2,772,201,186	2,818,552,642
Net leased assets	37,766,117	38,991,470	–	–
Prepaid pension	–	–	–	–
Other noncurrent assets	3,358,847	3,816,504	6,048,165	5,641,114
Prepaid rental payments	–	–	–	–
Total noncurrent assets	2,666,802,384	2,749,245,299	2,837,874,245	2,931,954,468
Total assets	3,793,037,386	3,956,284,175	3,583,554,352	3,523,520,977
Deferred outflow of resources				
Diesel fuel swaps	1,378,049	–	8,255,586	908,127
Pension	28,287,770	32,507,699	48,166,504	83,468,033
OPEB	135,403,128	146,098,986	72,751,190	11,550,659
Debt refunding	3,140,878	3,465,865	5,934,840	8,637,643
Total deferred outflow of resources	168,209,825	182,072,550	135,108,120	104,564,462
Liabilities				
Current liabilities				
Trade payables	66,148,287	61,529,323	85,187,006	111,669,469
Accrued compensation and benefits	32,892,090	37,233,227	37,568,224	31,981,480
Liabilities for injuries and damages	9,514,672	8,996,998	9,199,548	7,413,175
Other current liabilities	9,748,297	9,517,319	9,954,323	11,773,356
Lease obligations	930,324	975,680	–	–
Commercial paper	83,550,000	–	–	–
Debt payable	59,535,000	65,305,000	58,180,000	52,250,000
Debt interest payable	14,983,625	16,436,215	17,449,094	19,356,209
Derivative instrument – diesel fuel swaps	1,378,049	–	8,255,586	908,127
Total current liabilities	278,680,344	199,993,762	225,793,781	235,351,816
Noncurrent liabilities				
Liabilities for injuries and damages	9,257,440	9,285,475	10,241,652	11,709,406
Commercial paper	–	109,500,000	115,800,000	116,100,000
Deferred rental payments	–	–	–	–
Lease obligations	–	–	–	–
Debt payable	923,278,177	992,207,854	1,068,419,981	1,145,291,217
Net OPEB liability	777,593,878	752,121,047	640,487,204	560,204,975
Net pension liability	185,442,760	214,019,389	249,387,571	292,636,177
Capital lease obligations	37,819,982	38,517,344	–	–
Total noncurrent liabilities	1,933,392,237	2,115,651,109	2,084,336,408	2,125,941,775
Total liabilities	2,212,072,581	2,315,644,871	2,310,130,189	2,361,293,591
Deferred inflow of resources pension	47,859,243	39,277,335	26,872,109	11,652,976
Deferred inflow of resources OPEB	77,510,364	65,003,333	80,871,003	73,702,034
Deferred inflow of resources bonds	792,346	844,849	1,131,663	871,033
Deferred inflow of resources diesel fuel swaps	–	7,127,948	–	–
Deferred inflow of resources lease	2,073,931	2,636,124	–	–
Total deferred inflow of resources	128,235,884	114,889,589	108,874,775	86,226,043
Net position				
Net Investment in capital assets	1,624,047,626	1,630,157,148	1,681,643,197	1,703,033,487
Restricted assets – debt payments	88,454,055	96,366,910	85,902,973	65,994,756
Unrestricted assets	(91,562,935)	(18,701,793)	(467,888,662)	(588,462,438)
Total net position	$ 1,620,938,746	$ 1,707,822,265	$ 1,299,657,508	$ 1,180,565,805

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2022 and the Last Nine Years (Reporting Date)
(Unaudited)

2018	2017	2016	2015	2014	2013
$ 6,103,062	$ 5,741,909	$ 6,290,165	$ 5,426,047	$ 3,671,108	$ 3,499,304
369,969,496	313,417,478	321,815,619	410,462,331	316,174,054	313,657,041
51,655,159	57,582,105	57,233,949	45,240,619	31,839,343	28,942,440
124,326,094	113,506,648	114,167,276	117,212,671	119,462,662	110,821,904
5,781,255	7,916,108	11,844,152	12,041,883	25,218,342	73,106,988
11,142,730	13,886,887	10,408,552	12,855,952	10.798,847	10,277,726
141,250,079	135,309,643	136,419,980	142,110,506	155,479,851	194,206,618
34,861,544	34,802,548	32,775,189	28,996,881	24,749,710	20,407,175
7,344,809	3,805,801	–	–	–	1,348,147
611,184,149	550,659,484	554,534,902	632,236,384	531,914,066	562,060,725
26,128,756	38,563,709	42,358,586	50,949,645	67,007,168	27,851,305
2,861,518,553	2,932,274,940	3,039,197,023	3,139,596,631	3,081,386,561	2,978,791,191
–	–	–	–	–	–
–	–	–	–	26,091,075	26,346,959
3,509,785	3,481,911	3,450,057	3,645,852	3,518,211	6,325,672
–	2,213,152	4,426,306	7,246,855	10,067,401	52,168,306
2,891,157,094	2,976,533,712	3,089,431,972	3,201,438,983	3,188,070,416	3,091,483,433
3,502,341,243	3,527,193,196	3,643,966,874	3,833,675,367	3,719,984,482	3,653,544,158
–	–	1,394,262	15,041,432	1,899,588	–
38,190,329	77,554,921	92,324,541	32,384,271	–	–
12,231,472	–	–	–	–	–
10,284,073	12,279,043	16,991,634	–	–	–
60,705,874	89,833,964	110,710,437	47,425,703	1,899,588	–
98,385,337	71,830,312	114,035,870	114,457,190	83,276,299	149,021,462
35,455,552	34,964,584	29,491,550	30,140,189	26,922,386	27,430,216
5,849,687	6,060,315	4,800,475	4,866,124	4,657,529	3,679,238
11,623,183	11,766,741	10,574,928	13,385,191	8,687,095	8,824,195
–	–	77,311	8,951,781	8,543,263	8,129,906
–	–	–	–	–	187,000,000
50,870,000	54,570,000	44,155,000	28,155,000	13,920,000	13,365,000
20,095,911	19,883,931	19,579,295	20,429,616	20,515,002	17,976,710
–	–	1,394,262	15,041,432	1,899,588	–
222,279,670	199,075,883	224,108,691	235,426,523	168,421,162	415,426,727
9,772,064	9,194,897	8,466,099	9,390,567	6,196,311	7,014,731
116,100,000	116,400,000	117,400,000	121,300,000	183,400,000	–
–	2,213,152	4,426,306	7,246,855	10,067,401	52,168,306
–	–	–	57,614,124	66,723,307	75,423,971
1,069,362,657	1,064,656,499	1,077,655,925	1,058,832,615	958,059,450	823,268,698
609,452,358	291,375,150	260,783,392	230,234,947	202,045,812	169,059,735
194,576,865	243,492,528	252,037,793	177,961,819	–	–
–	–	–	–	–	–
1,999,263,944	1,727,332,226	1,720,769,515	1,662,580,927	1,426,492,281	1,126,935,441
2,221,543,614	1,926,408,109	1,944,878,206	1,898,007,450	1,594,913,443	1,542,362,168
29,880,277	13,681,779	2,168,916	–	–	–
4,610,118	–	–	–	–	–
2,489,751	–	–	–	–	–
7,344,809	3,805,801	–	–	–	1,348,147
–	–	–	–	–	–
44,324,955	17,487,580	2,168,916	–	–	1,348,147
1,741,285,896	1,822,890,974	1,920,547,528	2,016,537,016	2,027,406,944	1,948,427,986
77,783,915	86,303,282	85,736,440	79,101,851	65,681,932	56,793,745
(521,891,263)	(236,062,785)	(198,653,779)	(112,545,247)	33,881,751	104,612,112
$1,297,178,548	$1,673,131,471	$1,807,630,189	$1,983,093,620	$2,126,970,627	$2,109,833,843

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position September 30, 2022 and the Last Nine Years
(Unaudited)

	2022	2021	2020	2019
Operating revenues:				
Transportation fares	$ 38,906,973	$ 26,694,634	$ 42,790,171	$ 75,294,678
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	239,773,055	205,396,128	238,004,728	248,520,136
Contract service	56,390,680	49,763,382	52,644,668	48,963,055
Material distribution	8,368,054	7,306,794	7,622,300	7,601,492
Preventative maintenance	90,348,741	74,727,065	80,898,262	80,756,840
Central shop and maintenance support	29,347,740	25,440,616	29,729,438	29,662,492
Safety and training	6,420,937	5,290,127	5,883,540	5,251,606
Subtotal scheduled services - fixed route	430,649,207	367,924,112	414,782,936	420,755,621
Non-scheduled services-special				
METROLift	65,968,307	55,606,053	63,552,152	63,234,017
METRO Star Vanpool	4,781,999	4,291,596	7,767,882	10,253,334
HOT lanes and special events	6,248,536	5,495,866	6,175,768	6,081,620
Subtotal non-scheduled services – special	76,998,842	65,393,515	77,495,802	79,568,971
Service support				
Service planning and evaluation	37,908,319	17,096,886	5,365,509	7,072,677
Marketing	9,282,798	7,706,175	13,170,174	18,254,038
Transit security and traffic management	31,786,847	29,188,052	32,888,745	27,619,687
Insurance and claims	8,343,129	7,600,775	6,797,001	6,187,926
Ticket and fare collection	3,636,818	3,354,835	3,707,300	4,184,001
Facility maintenance	43,858,151	39,332,120	38,778,902	33,819,659
Subtotal service support	134,816,062	104,278,843	100,707,631	97,137,988
Organizational support				
Business, community, and governmental development	12,207,475	7,530,400	7,861,620	7,168,351
Administrative, financial, and personnel	20,612,274	18,845,857	20,424,704	19,648,796
Information systems	27,020,005	24,279,234	24,885,137	22,583,471
Purchasing	4,877,396	4,258,416	4,655,107	4,394,874
Oversight, audit, and legal	7,967,206	7,005,588	6,897,824	8,511,539
Subtotal organizational support	72,684,356	61,919,495	64,724,392	62,307,031
Depreciation and amortization	188,376,058	188,891,867	189,722,704	194,565,477
Total operating expenses	903,524,525	788,407,832	847,433,465	854,335,088
Operating loss	(864,617,552)	(761,713,198)	(804,643,294)	(779,040,410)
Nonoperating revenues (expenses):				
Sales tax	969,533,523	843,425,291	764,679,590	775,392,664
Investment income	10,227,377	218,826	6,750,760	12,040,338
Inter-government revenue	–	50,042	–	1,676,986
Noncapitalized interest expense	(29,469,689)	(33,799,148)	(35,087,736)	(46,371,218)
Other income	2,933,979	1,609,717	2,333,071	3,344,132
Grant proceeds	4,602,766	538,377,367	305,648,022	72,704,334
Local infrastructure assistance	(194,541,069)	(186,949,035)	(150,622,623)	(196,427,664)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(312,877)	(157,989)	(449,489)	(1,302,158)
Gain (loss) on sale or disposal of assets	(77,029)	(238,396)	(70,165)	876,612
(Loss)/recovery from declared disaster	(8,666,225)	(7,631,926)	(8,501,572)	1,778,236
Total nonoperating revenues (expenses)	754,230,756	1,154,904,749	884,679,858	623,712,262
Net increase (decrease) before capital grants	(110,386,796)	393,191,551	80,036,564	(155,328,148)
Capital grant proceeds	23,503,277	14,973,206	39,055,139	38,715,405
Changes in net position	(86,883,519)	408,164,757	119,091,703	(116,612,743)
Net position - beginning of the year 15 and 18 restated	1,707,822,265	1,299,657,508	1,180,565,805	1,297,178,548
Net position - end of the year (as restated)	$ 1,620,938,746	$ 1,707,822,265	$ 1,299,657,508	$1,180,565,805

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
September 30, 2022 and the Last Nine Years
(Unaudited)

2018	2017	2016	2015	2014	2013
$ 74,837,624	$ 72,817,352	$ 72,052,304	$ 74,651,045	$ 76,282,549	$ 72,782,991
223,139,611	224,741,506	222,625,961	194,117,455	177,124,243	166,613,768
46,217,396	45,623,522	47,355,960	49,839,742	49,298,303	46,620,525
7,241,607	7,389,679	7,042,407	6,244,556	6,086,883	5,540,367
76,101,739	75,330,114	69,716,267	63,007,513	58,752,039	55,367,208
27,614,092	26,416,417	24,284,783	21,073,250	20,208,555	18,961,766
4,699,939	4,627,538	4,433,619	3,612,522	1,135,164	973,447
385,014,384	384,128,776	375,458,997	337,895,038	312,605,187	294,077,081
60,542,541	56,512,060	55,892,156	52,171,593	49,503,466	45,181,913
10,095,148	9,274,464	5,947,081	5,475,396	5,193,777	4,967,172
7,762,167	9,130,525	8,200,762	8,610,185	7,669,836	5,582,712
78,399,856	74,917,049	70,039,999	66,257,174	62,367,079	55,731,797
7,309,286	8,153,583	4,376,730	4,947,792	3,545,587	3,521,365
11,274,543	11,444,811	10,383,266	9,728,386	7,001,452	7,306,538
25,404,549	25,737,412	22,149,262	21,118,036	19,326,396	18,587,581
5,733,368	5,796,480	5,614,731	5,754,471	7,036,234	5,927,146
4,079,350	4,218,988	4,208,388	3,562,149	3,955,040	3,751,006
31,834,924	29,826,031	30,168,111	26,414,559	23,928,168	21,660,854
85,636,020	85,177,305	76,900,488	71,525,393	64,792,877	60,754,490
4,330,137	4,384,576	3,343,274	2,894,550	3,551,653	4,228,909
18,572,642	17,902,790	16,352,030	14,334,333	13,646,454	14,612,492
22,766,588	21,260,567	18,228,842	17,684,558	16,371,349	13,948,037
4,195,061	4,051,118	3,697,391	3,217,201	3,249,771	2,994,284
8,497,420	8,441,512	6,850,065	7,490,093	5,170,576	8,875,645
58,361,848	56,040,563	48,471,602	45,620,735	41,989,803	44,659,367
203,727,711	206,753,917	212,338,159	173,469,603	160,049,291	136,642,238
811,139,819	807,017,610	783,209,245	694,767,943	641,804,237	591,864,973
(736,302,195)	(734,200,258)	(711,156,941)	(620,116,898)	(565,521,688)	(519,081,982)
759,063,519	690,929,011	686,101,655	715,160,213	685,167,303	642,515,462
6,413,959	3,551,729	1,220,156	597,015	328,666	768,527
1,855,372	1,849,413	1,956,596	1,841,467	1,843,453	1,986,480
(46,704,097)	(46,539,847)	(43,109,587)	(14,501,373)	(10,723,830)	(9,888,885)
2,988,122	3,349,776	2,585,147	8,841,043	2,643,857	1,845,296
65,175,440	82,009,861	77,117,133	40,230,897	64,927,095	71,766,635
(151,755,726)	(149,838,694)	(209,464,879)	(149,505,814)	(161,502,564)	(170,373,931)
–	–	–	–	(105,756,522)	–
(1,849,932)	(2,605,361)	(1,887,750)	(2,097,344)	(3,368,756)	(2,016,422)
(9,112)	(34,041)	(7,155,654)	(3,130,847)	755,594	(470,021)
(489,435)	(13,634,631)	–	–	–	–
634,688,110	569,037,216	507,362,817	597,435,257	474,314,296	536,133,141
(101,614,085)	(165,163,042)	(203,794,124)	(22,681,641)	(91,207,392)	17,051,159
8,061,354	30,664,324	28,330,693	56,584,181	108,344,176	256,919,845
(93,552,731)	(134,498,718)	(175,463,431)	33,902,540	17,136,784	273,971,004
1,390,731,279	1,807,630,189	1,983,093,620	1,949,191,080	2,109,833,843	1,835,862,839
$1,297,178,548	$1,673,131,471	$1,807,630,18	$1,983,093,620	$2,126,970,627	$2,109,833,843

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

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

* The previous Local fare was implemented in October 1994.
The previous Park & Ride fare was implemented in September 1996.
** Zone 7 is the Conroe Park & Ride, operated by METRO, which began service April 1, 2019.
*** The Day Pass was eliminated in February 2008 and reinstituted in October 2013.

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

Year	Population PMSA* (000)	Per Capita Personal Income*	Sales Taxes	Houston-The Woodlands-Sugar Land MSA Unemployment Rate (%)**
2022	7,277.1	$ 65,954	$970,416,563	5.5
2021	7,226.2	63,328	844,235,425	6.4
2020	7,126.1	61,069	764,679,590	8.6
2019	7,051.3	58,003	775,392,665	3.6
2018	6,956.9	55,772	759,063,519	4.3
2017	6,866.7	53,730	694,666,299	4.1
2016	6,772.5	51,913	686,101,655	5.2
2015	6,647.5	53,859	715,160,213	4.6
2014	6,488.0	53,791	685,167,303	4.9
2013	6,324.2	50,979	642,515,462	6.0

* Prior year published numbers may have changed due to revised information.
** Annual except 2022, which is through September

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

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

	2021			2012		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Memorial Hermann Health System	35,360	1	3.10%	19,500	1	2.02%
Walmart	29,797	2	2.61%	–	–	–
HEB	29,657	3	2.60%	–	–	–
Houston Methodist	26,098	4	2.29%	13,000	5	1.35%
The University of Texas MD Anderson Cancer Center	21,576	5	1.89%	–	–	–
HCA Houston Healthcare	15,000	6	1.32%	–	–	–
Kroger	14,868	7	1.30%	12,000	6	1.24%
Exxon Mobil	13,000	8	1.14%	15,000	3	1.55%
United Airlines	11,900	9	1.04%	–	–	–
Schlumberger Limited	11,700	10	1.03%	10,000	7	1.04%
Shell Oil Company	–	–	–	13,000	4	1.35%
United Continental Holdings	–	–	–	17,000	2	1.76%
B.P. America, Inc.	–	–	–	9,537	9	0.99%
National Oilwell Varco	–	–	–	10,000	8	1.04%
Baylor College of Medicine	–	–	–	9,232	10	0.96%
	208,956		18.32%	128,269		13.30%

Sources: City of Houston annual report based on GHP Houston Facts – 2021

Employers excludes school districts and city, county, state and federal governments.
Employee numbers are for the ten-county region, not the city only.
Employee may live outside the City.

Total Houston Residents employed regardless of where they work:
Source:

June 2020 Local Area Unemployment Statistics, Bureau of Labor Statistics	2021	1,140,335
U.S. Census Bureau, American Community Survey	2012	964,664

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

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bonds	Total
2022	$ 25,950,000	$ –	$ 132,195,000	$ 158,145,000
2021	6,300,000	–	58,180,000	64,480,000
2020	300,000	–	340,255,000	340,555,000
2019	–	–	155,280,000	155,280,000
2018	300,000	–	158,930,000	159,230,000
2017	1,000,000	77,311	44,155,000	45,232,311
2016	3,900,000	65,386,781	192,500,000	261,786,781
2015	62,100,000	8,543,263	13,920,000	84,563,263
2014	3,600,000	8,129,906	13,365,000	25,094,906
2013	2,000,000	7,899,879	12,895,000	22,794,879

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

Fiscal Year	Commercial Paper	Capital Lease	Sales and Use Tax Bonds (Including Unamortized Premium/Discount)	Total Outstanding Obligations
2022	$ 83,550,000	$ –	$ 982,813,177	$1,066,363,177
2021	109,500,000	–	1,057,512,854	1,167,012,854
2020	115,800,000	–	1,126,599,981	1,242,399,981
2019	116,100,000	–	1,197,541,217	1,313,641,217
2018	116,100,000	–	1,120,232,657	1,236,332,657
2017	116,400,000	–	1,119,226,499	1,235,626,499
2016	117,400,000	77,311	1,121,810,925	1,239,288,236
2015	121,300,000	66,565,905	1,086,987,615	1,274,853,520
2014	183,400,000	75,266,570	971,979,450	1,230,646,020
2013	187,000,000	83,553,877	836,633,698	1,107,187,575

Additional information can be found in Note 6 to the basic financial statements.

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

						Payments for Sales and Use Tax Bonds and Contractual Obligations				
Fiscal Year	Net Sales Tax Revenue (1)	Operating Revenues	Operating Grants	Less Operating Expenses Net of Depreciation	Net Available Revenue	Principal (2)	Interest Payments	Less IRS Interest Subsidy	Total	Coverage Ratio
2022	$762,650,573	$ 38,906,973	$ 4,602,766	$715,148,467	$ 91,011,845	$ 98,750,000	$ 37,815,147	$ –	$136,565,147	0.67
2021	652,650,355	26,694,634	538,377,367	601,596,636	616,125,720	58,180,000	41,071,719	50,042	99,201,677	6.21
2020	583,814,793	42,790,171	305,648,022	657,710,761	274,542,225	52,250,000	43,159,649	–	95,409,649	2.88
2019	593,031,139	75,294,678	72,704,334	659,769,611	81,260,540	50,870,000	51,656,757	1,676,986	100,849,771	0.81
2018	578,602,628	74,837,624	65,175,440	607,412,108	111,203,584	54,570,000	50,143,996	1,855,372	102,858,624	1.10
2017	519,026,128	72,817,352	82,009,861	600,263,693	73,589,648	44,155,000	44,905,658	1,849,413	87,211,245	0.84
2016	514,576,241	72,052,304	77,117,133	570,871,086	92,874,592	28,155,000	44,806,347	1,956,596	71,004,751	1.31
2015	536,370,159	74,651,045	40,230,897	521,298,340	129,953,761	22,463,263	44,611,552	1,841,467	65,233,348	1.99
2014	513,875,477	76,282,549	64,927,095	481,754,946	173,330,175	13,365,000	39,148,956	1,843,453	50,670,503	3.42
2013	481,886,596	72,782,991	71,766,635	455,222,735	171,213,487	12,895,000	39,623,581	1,986,480	50,532,101	3.39

Additional information regarding outstanding debt can be found in the Note 6 to the financial statements.

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

(2) Principal payments exclude refunding activity.

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

Fiscal Year	HOV Ridership Cars, Vans and Non-METRO Buses	Transit Boarding *	Revenue Vehicle Miles *	Passenger Miles Transit *	Passenger-Miles Carpool/ METRO STAR Vanpool Non-METRO Buses on Transitways	Number of: Emp.	Buses*	Rail Cars	BOF	TC	P&R	Directional Route Miles: Rail	HOV Lanes	Service Area (sq. miles)	Total Actual Rail Passenger Car Revenue Miles
2022	11,072,328	57,264,262	57,805,954	351,775,071	114,155,702	3,974	1,558	76	6	21	27	45.4	192.5	1309	2,884,228
2021	9,571,876	44,914,325	52,321,096	254,476,548	98,686,042	3,848	1,552	75	6	21	27	45.4	192.5	1309	2,602,080
2020	14,945,315	66,069,965	62,819,753	389,111,481	154,086,198	4,087	1,444	75	6	21	27	45.4	192.5	1303	3,236,011
2019	24,538,932	89,977,667	75,338,222	581,575,901	252,996,389	4,106	1,412	75	6	21	27	45.4	185.1	1303	3,482,906
2018	26,494,184	90,156,382	73,994,676	563,145,935	273,155,037	4,042	1,409	75	6	21	27	45.4	182.3	1303	3,535,806
2017	25,972,856	88,129,126	72,077,150	566,131,888	267,316,195	3,956	1,393	76	6	21	27	45.4	182.3	1303	3,330,168
2016	25,829,582	89,970,895	72,975,913	584,215,802	266,302,990	3,916	1,394	54	6	21	26	43.4	139.1	1303	3,415,024
2015	26,723,748	86,089,171	71,162,933	573,489,760	275,521,842	3,777	1,373	37	6	21	26	43.4	139.1	1285	2,350,774
2014	25,386,535	85,389,587	69,134,726	605,100,948	261,735,176	3,560	1,432	37	6	20	28	25.4	139.1	1285	1,577,592
2013	25,371,590	84,266,386	68,324,181	574,724,199	261,581,093	3,500	1,317	22	6	20	29	14.8	140.8	1285	989,373

Source: Metropolitan Transit Authority Office of Management and Budgets

BOF = Bus Operating Facility
TC = Transit Centers
P&R = Park & Ride Lots
* Includes METROLift

METRO operates 105.3 miles in the 192.5 miles regional HOV/HOT lane system.

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