

**Metropolitan Transit Authority  
of Harris County, Texas**

**Savings Plan  
Annual Financial Statements**

**Years Ended December 31, 2022 and 2021**

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**Metropolitan Transit Authority of Harris County, Texas  
Savings Plan**

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## Independent Auditor's Report

To the Participants and Management of  
Metropolitan Transit Authority Savings Plan:

### ***Opinion***

We have audited the financial statements of the Metropolitan Transit Authority Savings Plan (the "Plan"), which comprise the Statements of Fiduciary Net Position as of December 31, 2022 and 2021, and the related Statements of Changes in Fiduciary Net Position for the years then ended, and the related notes to the Plan's financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying basic financial statements referred to above present fairly, in all material respects, the financial position of the Plan as of December 31, 2022 and 2021, and the changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America (US GAAP).

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Plan's Basic Financial Statements* section of our report. We are required to be independent of the Plan, 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 opinion.

### ***Responsibilities of Management for the Plan's Basic Financial Statements***

Management is responsible for the preparation and fair presentation of the Plan's basic financial statements in accordance with US GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Plan's basic financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditor's Responsibility for the Audit of the Plan's Basic Financial Statements***

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



# McConnell Jones

In performing an audit in accordance with US GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the Plan's basic 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 Plan's basic financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan'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 Plan's basic financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan'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 audits.

## ***Required Supplementary Information***

US GAAP requires that the management's discussion and analysis be presented to supplement the Plan's basic financial statements. Such information is the responsibility of management and, although not a part of the Plan's 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 Plan's basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with US 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 Plan's basic financial statements, and other knowledge we obtained during our audit of the Plan's 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.

*McConnell & Jones LLP*

Houston, Texas  
August 1, 2023

# **Metropolitan Transit Authority of Harris County, Texas Savings Plan**

## **Management's Discussion and Analysis (Unaudited)**

**December 31, 2022 and 2021**

### **Management's Discussion and Analysis (Unaudited)**

This discussion and analysis section provides an overview of the performance of the Metropolitan Transit Authority (METRO) Savings Plan (Plan) and should be read in conjunction with the basic financial statements and other information found in this report.

The Plan is a single employer, 401(a) savings plan that was established on January 1, 2002. This Plan provided a method for eligible employees not covered by the collective bargaining agreement to save tax deferred dollars toward retirement by depositing annually up to two weeks of their unused vacation time. Contributions were deposited into individual employee accounts maintained by a third-party record-keeper. Investment options consisted of multiple funds listed on pages 6 and 7. Due to a change in this program, no additional contributions have been made since January 15, 2016, with the number of participants declining from 125 participants in 2016 to 93 participants in 2022. Employees covered by the collective bargaining agreement do not participate in this Plan since they are paid 100% of their unused vacation balance annually.

In May 2021, METRO established a committee responsible for the investment and administration of the Plan and adopted a Committee Charter. The Chief Executive Officer of METRO appoints members to serve on the Committee with a three-year term. METRO Chief Financial Officer and EVP/Chief Human Resources Officer are standing members of the Committee until otherwise determined by the Board. Members of the Committee are dedicated professionals and included the following as of December 31, 2022:

George Fotinos

Tracy Jackson

Karen Kauffman

Kylie Loya

Eduardo Miranda

Larry Wood

The discussion and analysis provide additional information regarding the activities of the Plan. Additional retirement programs include a 401(a) Defined Contribution Plan, Defined Benefit Union and Non-Union Pension Plans and a 457(b) Deferred Compensation Plan. For additional financial information or any questions, please contact the Office of the Controller, Metropolitan Transit Authority of Harris County, Texas, P.O. Box 61429 Houston, Texas 77208-1429.

# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Management's Discussion and Analysis (Unaudited)

December 31, 2022 and 2021

#### Financial Highlights

The summary of fiduciary net position and changes in fiduciary net position lists the additions and deductions that when netted equals the total assets/fiduciary net position. The values and related changes during the last three plan years consist of:

	2022	2021	2020
<b><u>Summary of fiduciary net position:</u></b>			
Assets:			
Investments, at fair value	\$ 1,512,961	\$ 1,837,275	\$ 2,009,531
Notes receivable from participants	18,936	15,965	16,819
Total assets / fiduciary net position	<u>\$ 1,531,897</u>	<u>\$ 1,853,240</u>	<u>\$ 2,026,350</u>
<b><u>Changes in fiduciary net position:</u></b>			
Additions/(Reductions):			
Investment income:			
Net (depreciation)/appreciation in fair value of investments	\$ (338,988)	\$ 151,962	\$ 136,444
Interest and dividend income	99,446	67,395	96,446
Total investment (loss)/gain	(239,542)	219,357	232,890
Interest on notes receivable from participants	776	816	1,339
Net (reductions)/additions	(238,766)	220,173	234,229
Deductions:			
Benefit payments	(81,378)	(391,799)	(77,623)
Administrative expenses	(1,199)	(1,484)	(1,420)
Total deductions	(82,577)	(393,283)	(79,043)
Changes in fiduciary net position	(321,343)	(173,110)	155,186
Beginning of the year	1,853,240	2,026,350	1,871,164
End of the year	<u>\$ 1,531,897</u>	<u>\$ 1,853,240</u>	<u>\$ 2,026,350</u>

Benefit payments decreased during 2022 by \$310 thousand or 79.2 percent and increased during 2021 by 314 thousand or 404.7 percent. The changes over the last three years in the benefit payment amounts relate to the number of participants terminating their employment with METRO and transferring their balances to other retirement accounts. In 2021, twelve participants retired and transferred their balance out of the Plan.

Total assets/fiduciary net position decreased during 2022 by \$321 thousand or 17.3 percent and during 2021 by \$173 thousand or 8.5 percent. The changes over the last three years in total assets/fiduciary net position generally relates to investment returns which were driven by market conditions and benefit payments/withdrawals.



# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Management's Discussion and Analysis (Unaudited)

**December 31, 2022 and 2021**

#### Participants loan activity

The loan activity consists of new loans, interest, payments and defaulted loans that when netted equal the ending balance. New loans issued increased by \$6.7 thousand or 63.5 percent; loan payments increased by \$3.3 thousand or 28.5 percent and no distributed loans in 2022. The changes in new loans and loan payments were primarily due to loans maturing or defaulting and participants taking more new loans in 2022. The changes in distributed loans were due to a decrease in participant loan defaults.

The following table presents information of participant loans during Plan years ending December 31, 2022, 2021 and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance – January 1st	\$ 15,965	\$ 16,819	\$ 30,040
New loans issued	17,217	10,529	10,800
Interest assessed	776	816	1,339
Loan payments	(15,022)	(11,693)	(16,765)
Distributed loans	-	(506)	(8,595)
Ending balance – December 31st	<u>\$ 18,936</u>	<u>\$ 15,965</u>	<u>\$ 16,819</u>

# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Management's Discussion and Analysis (Unaudited)

**December 31, 2022 and 2021**

#### Fund Performance

The investment line-up that participants can invest in consists of thirty-four mutual funds, nine target date funds, and one guaranteed interest fund. Each fund has its own investment objectives and strategies. The funds also provide an asset allocation strategy designed to meet their individual investment goals and strategies. The investment returns generally followed the related markets during the last three years. The following table provides a three-years comparison of investment returns:

Investment Name	Ticker	2022		2021		2020	
		Annual Return	Market Benchmark	Annual Return	Market Benchmark	Annual Return	Market Benchmark
<u>Target retirement date funds</u>							
Great-West Lifetime 2015 Fund Inst	MXNYX	-11.95%	N/A	8.85%	N/A	11.47%	N/A
Great-West Lifetime 2020 Fund Inst	MXAKX	-12.61%	N/A	9.60%	N/A	11.72%	N/A
Great-West Lifetime 2025 Fund Inst	MXQBX	-13.43%	N/A	10.52%	N/A	12.67%	N/A
Great-West Lifetime 2030 Fund Inst	MXAYX	-14.29%	N/A	12.00%	N/A	12.99%	N/A
Great-West Lifetime 2035 Fund Inst	MXTBX	-15.29%	N/A	13.83%	N/A	13.84%	N/A
Great-West Lifetime 2040 Fund Inst	MXBGX	-16.00%	N/A	15.52%	N/A	14.01%	N/A
Great-West Lifetime 2045 Fund Inst	MXWEX	-16.54%	N/A	16.39%	N/A	14.33%	N/A
Great-West Lifetime 2050 Fund Inst	MXBSX	-16.65%	N/A	16.59%	N/A	14.30%	N/A
Great-West Lifetime 2055 Fund Inst	MXZHX	-16.90%	N/A	16.54%	N/A	14.33%	N/A
<u>International stock funds</u>							
American Funds New Perspective R6	RNPGX	-25.61%	-14.45%	18.10%	11.26%	33.81%	7.82%
American Funds New World R6	RNWGX	-21.75%	-14.45%	5.13%	11.26%	25.30%	7.82%
Great-West International Value Inst	MXJ VX	-14.90%	-14.45%	11.26%	11.26%	10.21%	7.82%
MFS International Growth R6	MGRDX	-15.02%	-14.45%	9.65%	11.26%	15.82%	7.82%
Franklin Mutual Global Discovery R6	FMDRX	-4.68%	-14.45%	19.84%	11.26%	-4.27%	7.82%
Vanguard Total Intl Stock Index Admiral	VTIAX	-16.01%	-14.45%	8.62%	11.26%	11.28%	7.82%
<u>Specialty funds</u>							
Franklin Gold & Precious Metals Adv.	FGADX	-23.24%	N/A	-3.52%	N/A	43.99%	N/A
MFS Technology R6	MTCLX	-35.97%	N/A	13.74%	N/A	46.56%	N/A
Nuveen Real Estate Securities I	FARCX	-24.70%	N/A	41.32%	N/A	-6.12%	N/A
Vanguard Real Estate Index Adm	VGSLX	-26.20%	N/A	40.40%	N/A	-4.65%	N/A
<u>Domestic stock funds</u>							
Columbia Small Cap Index A	NMSAX	-16.52%	-20.44%	26.07%	14.82%	10.92%	19.96%
Janus Henderson Venture N	JVTNX	-24.07%	-20.44%	7.79%	14.82%	31.81%	19.96%
Undiscovered Mgrs Behavioral Value R6	UBVFX	-1.10%	-20.44%	34.50%	14.82%	3.62%	19.96%
Ariel Appreciation Fund	CAAPX	-12.43%	-13.06%	25.86%	24.76%	7.36%	13.66%
iShare Russell Mid-Cap Index	BRMAX	-17.48%	-13.06%	22.18%	24.76%	16.77%	13.66%
Janus Enterprise Fund T	JAENX	-16.14%	-13.06%	17.22%	24.76%	20.15%	13.66%
Vanguard Mid Cap Index Admiral	VIMAX	-18.71%	-13.06%	24.51%	24.76%	18.24%	13.66%
Columbia Contrarian Core Instl 3	COFYX	-18.45%	-18.11%	24.45%	28.71%	22.44%	18.40%
Columbia Dividend Income Adv	CVIRX	-4.96%	-18.11%	26.28%	28.71%	7.77%	18.40%
Fidelity 500 Index	FXAIX	-18.13%	-18.11%	28.69%	28.71%	18.40%	18.40%
Great-West S&P 500 Index Fund Inv	MXVIX	-18.55%	-18.11%	28.20%	28.71%	17.77%	18.40%
Pioneer Fundamental Growth K	PFGKX	-20.47%	-18.11%	23.86%	28.71%	27.51%	18.40%
Schwab R US Large-Cap Growth	SWLGX	-19.16%	-18.11%	27.53%	28.71%	N/A	18.40%
<u>Balanced funds (equity &amp; fixed income)</u>							
American Funds American Balanced R6	RLBGX	-11.83%	N/A	16.11%	N/A	11.22%	N/A

# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Management's Discussion and Analysis (Unaudited)

**December 31, 2022 and 2021**

Investment Name	Ticker	2022		2021		2020	
		Annual Return	Market Benchmark	Annual Return	Market Benchmark	Annual Return	Market Benchmark
Fidelity Puritan	FPURX	-17.24%	N/A	18.94%	N/A	20.56%	N/A
<u>Bond funds</u>							
BlackRock High Yield Bond Portfolio K	BRHYX	-10.34%	-13.01%	5.88%	-1.54%	5.93%	7.51%
Columbia Quality Income Instl 3	CUGYX	-16.78%	-13.01%	0.22%	-1.54%	6.14%	7.51%
Fidelity Inflation Protected Bond Index	FIPDX	-12.05%	-13.01%	5.93%	-1.54%	10.90%	7.51%
JPMorgan Global Bond Opportunities R6	GBONX	-5.89%	-13.01%	1.52%	-1.54%	7.92%	7.51%
Metropolitan West Total Return Bond Pl	MWTSX	-14.69%	-13.01%	-1.11%	-1.54%	9.18%	7.51%
MFS Emerging Markets Debt R6	MEDHX	-14.73%	-13.01%	-2.30%	-1.54%	8.11%	7.51%
Vanguard Inflation-Protected Secs Adm	VAIPX	-11.89%	-13.01%	5.68%	-1.54%	10.96%	7.51%
Vanguard Interm-Term Investment-Grade	VFIDX	-13.78%	-13.01%	-1.14%	-1.54%	10.41%	7.51%
Vanguard Total Bond Market Index Adm	VBTLX	-13.16%	-13.01%	-1.67%	-1.54%	7.72%	7.51%
<u>Interest fund</u>							
Great-West Guaranteed Interest Fund	N/A	1.75%	N/A	1.40%	N/A	1.50%	N/A

### Plan Fees

The Plan charges fees to participants' accounts for investment management, advisory and record-keeping services that are directly offset from the investment funds' earnings. The fees vary by investment fund and are calculated based on the fund's daily asset value. According to the Fee Disclosure Report provided by Empower as of December 31, 2022 and 2021, the estimated fees was as follows:

### December 31, 2022

Service	Annual Estimate	Estimated Average Cost Per Participant	Estimated Percentage of Total Assets
Payments to Investment Providers	\$ 5,539	\$ 60.00	0.36%
Payments to Recordkeeper	617	7.00	0.04%
Payments to Others	2,660	29.00	0.17%
Total Payment Estimate	\$ 8,816	\$ 96.00	0.57%

**Metropolitan Transit Authority of Harris County, Texas**  
**Savings Plan**

**Management's Discussion and Analysis (Unaudited)**

**December 31, 2022 and 2021**

**December 31, 2021**

Service	Annual Estimate	Estimated Average Cost Per Participant	Estimated Percentage of Total Assets
Payments to Investment Providers	\$ 7,538	\$ 77.00	0.41%
Payments to Recordkeeper	1,110	11.00	0.06%
Payments to Others	3,023	31.00	0.16%
Total Payment Estimate	\$ 11,671	\$ 119.00	0.63%

For a copy of the complete Fee Disclosure Report, please contact the Plan Administrator, Metropolitan Transit Authority of Harris County, Texas, P.O. Box 61429, Houston, Texas 77208-1429.

## **BASIC FINANCIAL STATEMENTS**

**Metropolitan Transit Authority of Harris County, Texas**  
**Savings Plan**

**Statements of Fiduciary Net Position**  
**December 31, 2022 and 2021**

Assets:	<u>2022</u>	<u>2021</u>
Investments, at fair value	\$ 1,512,961	\$ 1,837,275
Notes receivable from participants	<u>18,936</u>	<u>15,965</u>
Total assets	<u>1,531,897</u>	<u>1,853,240</u>
 Fiduciary net position:		
Restricted for pensions	<u>\$ 1,531,897</u>	<u>\$ 1,853,240</u>

*The accompanying notes are an integral part of the Plan's basic financial statements.*

**Metropolitan Transit Authority of Harris County, Texas**  
**Savings Plan**

**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Additions/(Reductions):		
Investment income:		
Interest and dividend income	\$ 99,446	\$ 67,395
Net (depreciation)/appreciation in fair value of investments	(338,988)	151,962
Total investment (loss)/income	(239,542)	219,357
Interest on notes receivable from participants	776	816
Total (reductions)/additions	(238,766)	220,173
Deductions:		
Benefit payments	(81,378)	(391,799)
Administrative expenses	(1,199)	(1,484)
Total deductions	(82,577)	(393,283)
Changes in fiduciary net position	(321,343)	(173,110)
Fiduciary net position – restricted for pensions:		
Beginning of the year	1,853,240	2,026,350
End of the year	<u>\$ 1,531,897</u>	<u>\$ 1,853,240</u>

*The accompanying notes are an integral part of the Plan's basic financial statements.*

# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Notes to the Basic Financial Statements

December 31, 2022 and 2021

#### 1. DESCRIPTION OF THE PLAN

The following description of Metropolitan Transit Authority (METRO) Savings Plan (the “Plan”) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

##### General

The Plan is a single employer, 401(a) savings plan that is determined to be a profit-sharing plan that meets the requirements for qualification under the applicable provisions of the Internal Revenue Code of 1986, as amended. The Plan is not covered by the Employee Retirement Income Security Act of 1974.

##### Eligibility

The Plan was established to assist METRO’s full-time non-union employees to defer unused vacation hours into retirement savings for future use. Full-time non-union employees could participate in the Plan after eight years of service on their anniversary date. The Plan became effective for full-time non-union employees on January 1, 2002 and was amended and restated as of January 1, 2009. Effective January 1, 2016, the Plan was frozen for new entrants. After December 31, 2015, existing participants can no longer contribute except when a request for contribution was made to METRO’s Human Resources before December 31, 2015.

The following table presents information of Plan participants during plan years ended December 31, 2022 and 2021:

<b>Participants</b>	<b>2022</b>	<b>2021</b>
Participants – January 1st	98	110
Less: Terminated participants who removed funds	(5)	(12)
Participants – December 31st	93	98

##### Contributions

Although employer contributions into the Plan are permitted, contributions to the Plan were only made by participants in the past. These contributions were authorized by employees filing an “Application for 401(a) Plan” through the Human Resources Department. The last contribution to the Plan occurred on January 15, 2016. Participants who are no longer employed at METRO can remain in the Plan but no longer make contributions to their account.

##### Participants’ Accounts

Each participant who elected to contribute unused vacation pay has an individual 401(a) savings account with the record-keeper which tracks contributions made by employees, investments they purchased/sold and related fees. Participants control how funds in their accounts are invested in the available investment line-up and can allocate contributions between 44 investment options established under the Plan.



# **Metropolitan Transit Authority of Harris County, Texas**

## **Savings Plan**

### **Notes to the Basic Financial Statements**

**December 31, 2022 and 2021**

#### Vesting

The Participants are immediately vested in their contributions.

#### Participant Loans

The Plan permits participant loans. Only active employees may request a Plan loan but must have a minimum account balance of \$2,000 to be eligible. The minimum loan amount is \$1,000 with a maximum amount of \$50,000 or 50 percent of account balance, whichever is less. If a participant has an outstanding loan, the maximum loan amount available must be reduced by the highest loan balance during the past 12 months. A participant may have up to two loans at one time as long as the loan repayments are submitted via payroll deduction and are identified separately. The Plan charges an initial and monthly fee with any interest collected returned to the participant's account.

The loans are secured by the balance in the participant's account. Two types of loans are available: (1) general purpose loan with a term of one to five years and (2) a principal residence loan with a term of six to fifteen years. Loans bear interest at a fixed rate equal to 2 percent over the Prime Rate published in the Wall Street Journal on the first business day of the month before the loan is originated for the life of the loan. Interest paid by the participant on loan is contributed to the participant's account.

#### Plan Administration and Fees

METRO is the Plan Administrator with the general administration and record keeping services provided by Empower Retirement, a subsidiary of Great-West Life & Annuity Insurance Company. Fees associated with administration, recording keeping, money managers and discretionary managed account services are paid from the participants accounts.

#### Payment of Benefits

A participant's account balance in the Plan is available upon severance from METRO's service, attainment of age 72, or upon death. Upon termination from METRO, or attainment of age 72, funds may be rolled over into an eligible retirement plan (as defined in the Code), or an IRA. Distributions are only made in cash in one lump sum payment or as a direct rollover into an eligible retirement plan (as defined in the Code), or an IRA.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Presentation

The accompanying basic financial statements of the Plan are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) established by the Governmental Accounting Standards Board (GASB).

#### Basis of Accounting

The Plan's basic financial statements are prepared using the accrual basis of accounting. No contributions are allowed into the Plan since the Plan was frozen effective January 1, 2016. Investment income is recorded when earned and reported net of investment and administrative fees. Distributions are recorded when paid.

# **Metropolitan Transit Authority of Harris County, Texas**

## **Savings Plan**

### **Notes to the Basic Financial Statements**

**December 31, 2022 and 2021**

#### Investment Policy

The Plan's investment policy is focused on providing resources for participants to save for retirement. Participants can choose among 44 funds that cover a wide range of investment strategies and customize their investment portfolio based on their personal risk tolerance levels and financial goals. To assist participants, implement and monitor their long-term investment strategy, online administrative and investment tools are provided by the Plan's record-keeper and service provider Empower Retirement.

#### Investment Valuation

The Plan's investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### Participants Accounts and Income Recognition

Changes in the value of a Participant's account relate to interest and dividends earned, investments sales and changes in market value. Purchases and sales of securities are recorded on a trade-date basis. Dividends are processed the evening of the execution date and recorded with a drop date on the next business day. Interest is credited to participant-guaranteed accounts based on the rate communicated by Empower. Share values of mutual funds are received from the National Security Clearing Corporation, Interactive Data Corporation or the mutual fund company.

#### Use of Estimates

The preparation of the Plan's financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect amounts reported in the Plan's financial statements. Actual results could differ from those estimates.

### **3. CUSTODIAL CREDIT RISK**

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of their investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty trust department. All Plan's investments are held by the individual mutual funds and guaranteed interest funds' asset custodians in the Plan's name and therefore, are not exposed to custodial credit risk.

### **4. FAIR VALUE MEASUREMENTS**

The Plan categorizes its fair value hierarchy as established by U.S. GAAP. 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 significant other observable inputs; Level 3 inputs are significant unobservable inputs. In determining fair value, the Plan utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

# Metropolitan Transit Authority of Harris County, Texas

## Savings Plan

### Notes to the Basic Financial Statements

**December 31, 2022 and 2021**

Following is a description of the valuation methodologies used for assets measured at fair value:

Investments disclosed as Level 1 includes individual mutual funds and those that invest in multiple mutual funds (fund to funds) when the underlying fund is actively traded on a nationally recognized stock exchange.

Investment disclosed as Level 2 represent funds invested in Great-West Guaranteed Interest Funds (the “Interest Funds”) whose investment value represents contributions made by participants to the Interest Funds, plus earnings, less participant withdrawals and administrative expenses.

All investments are recorded at their net asset value (unit value) and calculated daily after the close of the current trading day by each mutual fund. This value is used to calculate the daily ending investment balance for each participant and to price investment transactions settling at the end of the day.

The following tables set forth by level, within the fair value hierarchy, a summary of the Plan's investments measured at fair value as of December 31, 2022 and December 31, 2021:

#### 2022 Fair Value Measurement Based on Reporting Hierarchy

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic stock	\$ 452,480	\$ -	\$ -	\$ 452,480
International stock	82,108	-	-	82,108
Balanced	106,826	-	-	106,826
Target retirement date	376,394	-	-	376,394
Specialty	62,484	-	-	62,484
Bond	157,523	-	-	157,523
Great-West Guaranteed Interest Funds	-	275,146	-	275,146
Total investments, at fair value	<b>\$ 1,237,815</b>	<b>\$ 275,146</b>	<b>\$ -</b>	<b>\$ 1,512,961</b>

#### 2021 Fair Value Measurement Based on Reporting Hierarchy

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic stock	\$ 507,649	\$ -	\$ -	\$ 507,649
International stock	111,404	-	-	111,404
Balanced	156,564	-	-	156,564
Target retirement date	492,561	-	-	492,561
Specialty	128,855	-	-	128,855
Bond	187,543	-	-	187,543
Great-West Guaranteed Interest Funds	-	252,699	-	252,699
Total investments, at fair value	<b>\$ 1,584,576</b>	<b>\$ 252,699</b>	<b>\$ -</b>	<b>\$ 1,837,275</b>

# **Metropolitan Transit Authority of Harris County, Texas**

## **Savings Plan**

### **Notes to the Basic Financial Statements**

**December 31, 2022 and 2021**

#### **5. UNALLOCATED PLAN ASSET ACCOUNT**

Settlement payments and other amounts received by the Plan, which the record-keeper cannot quickly record to a participant's account are transferred to an unallocated plan asset account within the Plan until the record-keeper can determine where to properly record the funds. On December 31, 2022 and 2021, the Plan's unallocated Plan asset account balance was \$249 and \$274, respectively.

#### **6. TERMINATED PARTICIPANTS**

As of December 31, 2022, and 2021, the Plan had 42 and 41 terminated vested participants who had account balances totaling \$669,294 and \$734,011, respectively. These participants can no longer contribute, and their account balances are adjusted only for fees, investment earnings and withdrawals.

#### **7. RELATED PARTY TRANSACTIONS**

The costs of administering the Plan are paid with the monthly administrative fee charged to participant accounts, an annualized asset-based fee assessed to the Plan's investment funds, and interest earned on assets held in the Plan's custodial account which is administered by the Plan's custodian.

#### **8. INCOME TAX STATUS**

The Plan received its latest favorable letter of determination dated July 9, 2014 from the Internal Revenue Service stating the Plan qualifies as a tax-exempt plan and trust. The Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code.

#### **9. PLAN TERMINATION**

METRO as Plan Sponsor has the right to amend, suspend, or terminate the Plan if the amounts of the Participant's balances are not affected. METRO also has the right to add or eliminate any investment option, in whole or in part.

#### **10. RISKS AND UNCERTAINTIES**

The Plan provides for participant directed investments that are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments and the level of uncertainty related to the changes in the value of investments, it is at least reasonably possible, that changes in the near term could materially affect participants' account balances and the amounts reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

#### **11. SUBSEQUENT EVENTS**

The Plan's management has evaluated subsequent events through August 1, 2023; the date the Plan's financial statements were available to be issued. No changes were made, or are necessary to be made, to the Plan's financial statements, as a result of this evaluation.