Metropolitan Transit Authority of Harris County, Texas
Annual Comprehensive Financial Report
For the Years Ended
September 30, 2021 and 2020
(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.

Mission Statement

"Provide safe, clean, reliable, accessible and friendly public transportation services to our region."

March 18, 2022

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, 2021 (FY2021). 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 1,552 transit vehicles, 75 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. This has become a greater challenge as COVID-19 continues to mutate which has resulted in significant declines in ridership as individuals have elected to work from home or use other transportation alternatives. METRO sees a bright future and continues to work closely with governmental agencies, local leaders and our customers in developing integrated transportation solutions and mobility programs that meet the current and future needs of the region and our customers. This process continued even during the COVID-19 pandemic and includes:

- Implemented modified bus schedules that provide service while complying with mandated guidelines for protection of our customers and employees from COVID-19.

- Opened the Northwest Transit Center which is METRO's latest flagship transit facility for Houston and the surrounding region.

- Approved an Agency-Wide Commitment to a more Sustainable Future, which includes a series of environmental initiatives like the adoption of a 100 percent zero-emission bus replacement goal by 2030 and the development of an agency-wide Climate Action Plan.

- Opened a 1.27-mile-long bike lane in the Greater Heights and Northside neighborhood which allows easy access to the Red Rail Line.

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 29 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 Standard 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.

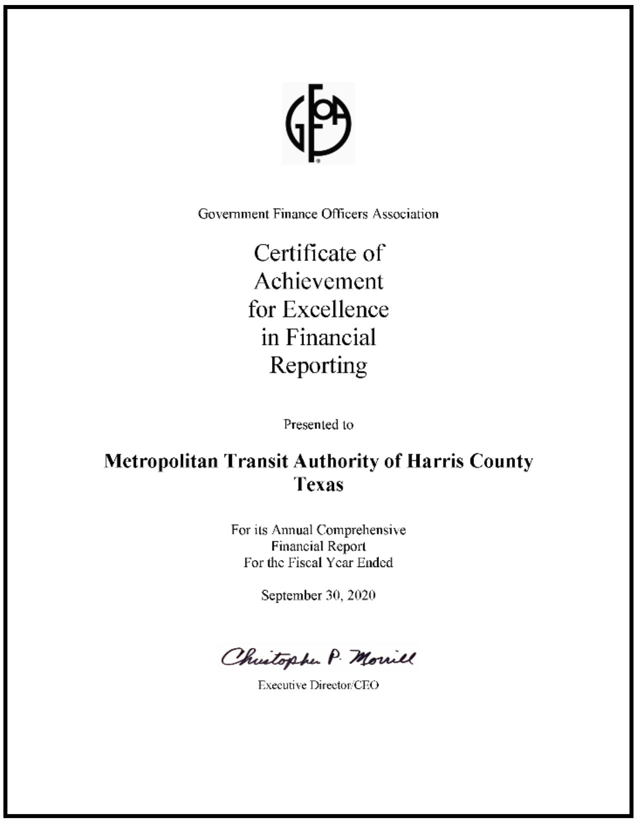
METRO uses a single fund to account for all financial activity, which includes transit operations, traffic management, infrastructure assistance (which includes General Mobility) capital programs, grant revenues, sales tax, and related activity.

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, 2020 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, 2020

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.

Arthur C. Smiley III
Chief Financial Officer
Chairman, Defined Contribution Plans

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)

Jim Robinson, CFE First Vice-Chair (H)

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

Troi Taylor Secretary (C)

Lex Frieden (C)

Bob Fry (M)

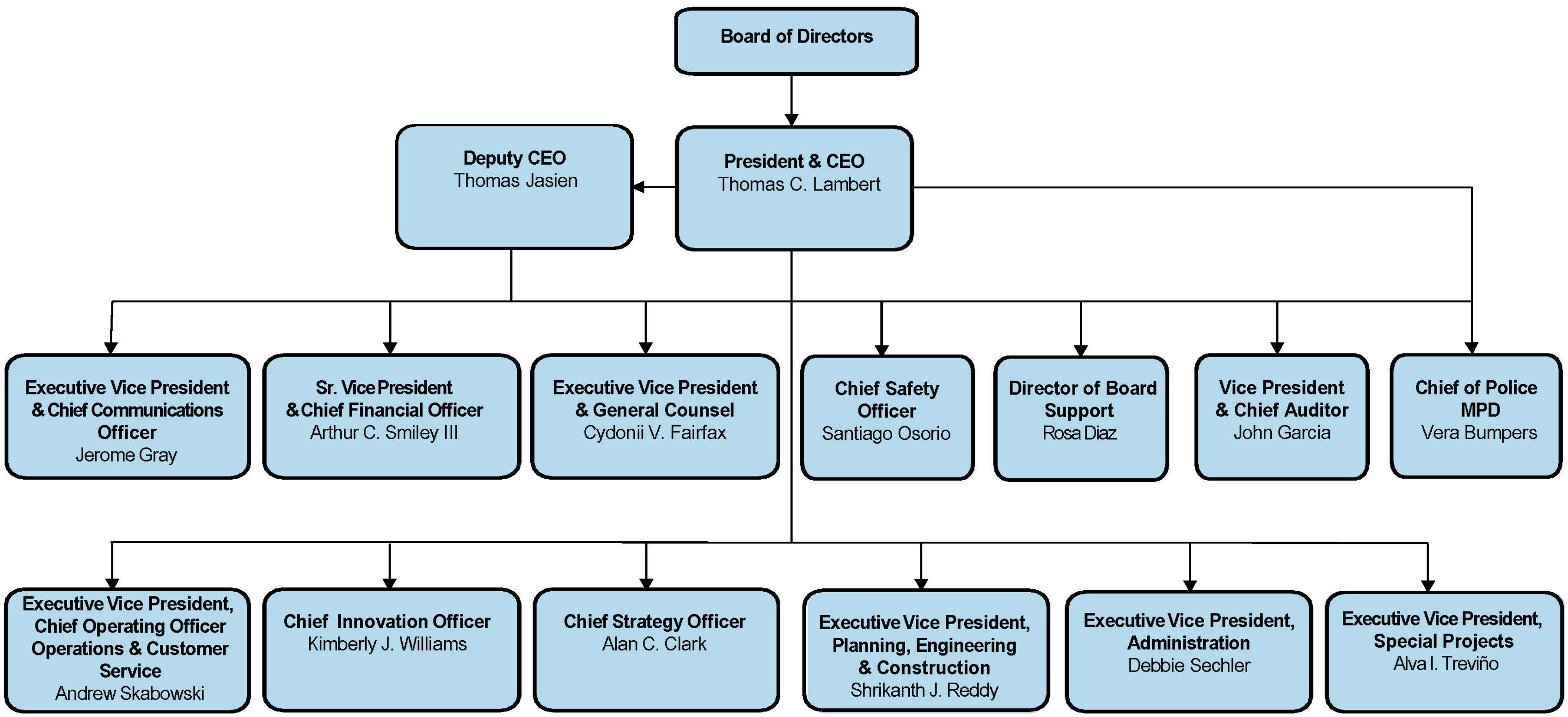
Christopher G. Hollins (H)

Terry Morales (C)

Open Position to be filled by the City of Houston

(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
FY2021 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 Financial Statements

We have audited the accompanying 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Non-Union Pension Plan and Trust, which are separately presented as the fiduciary activity. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Non-Union Pension Plan and Trust, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Non-Union Pension Plan and Trust were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the 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, 2021 and 2020, 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.

Emphasis of a Matter

As discussed in Note 1 to the basic financial statements, in 2021, METRO adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis and required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise METRO's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022 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 18, 2022

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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 FY2020 through FY2021. 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 increased by $411.1 million or 31.7 percent during the last three years. This increase is primarily due to grants from the federal government related to COVID-19, sales tax receipts and lower operating, capital expenditures and infrastructure payments offset by declines in transportation fares

- *Total Resources* reported on schedule A-1 totaled $1,425.3 million for FY2021 which is a $446.1 million or 45.6 percent increase from FY2019. This primarily relates to the increase of $465.6 million of operating grants for COVID-19 and $68.0 million in sales tax revenue, offset by reductions in capital grant, transportation fares and investment income.

- *Total Operating Expenses* reported on schedule A-1 totaled $789.2 million for FY2021 which represents a decrease of $65.2 million or 7.6 percent from FY2019. This decrease relates to reduction of operating cost due to reduction in services, due to COVID-19, and decrease in depreciation expenses.

- *Total Nonoperating Expenses* reported on schedule A-1 totaled $227.5 million for FY2021 which represents a decrease of $13.9 million or 5.8 percent from FY2019. The primary reason for this decline relates to an active debt restructure plan implemented by the CFO which reduced interest cost. The remaining activity will vary each year.

- *Total Assets and Deferred Outflows* reported on schedule A-2 totaled $4,096.7 million for FY2021 which represents an increase of $468.6 million or 12.9 percent when compared to FY2019. This increase is primarily due to grants from the federal government for COVID-19, inventory and deferred outflow for pension/OPEB benefits plans. This is offset by a decline in capital assets net of depreciation as depreciation exceeded capital additions in each of the last three years.

- *Total Liabilities and Deferred Inflows,* as reported on schedule A-2, totaled $2,388.4 million for FY2021 which represents a decrease of $59.1 million or 2.4 percent since FY2019. This decrease is primarily due to reductions in various debt instruments, offset by increases in Net OPEB liability and deferred inflows.

OVERVIEW OF THE FINANCIAL STATEMENTS

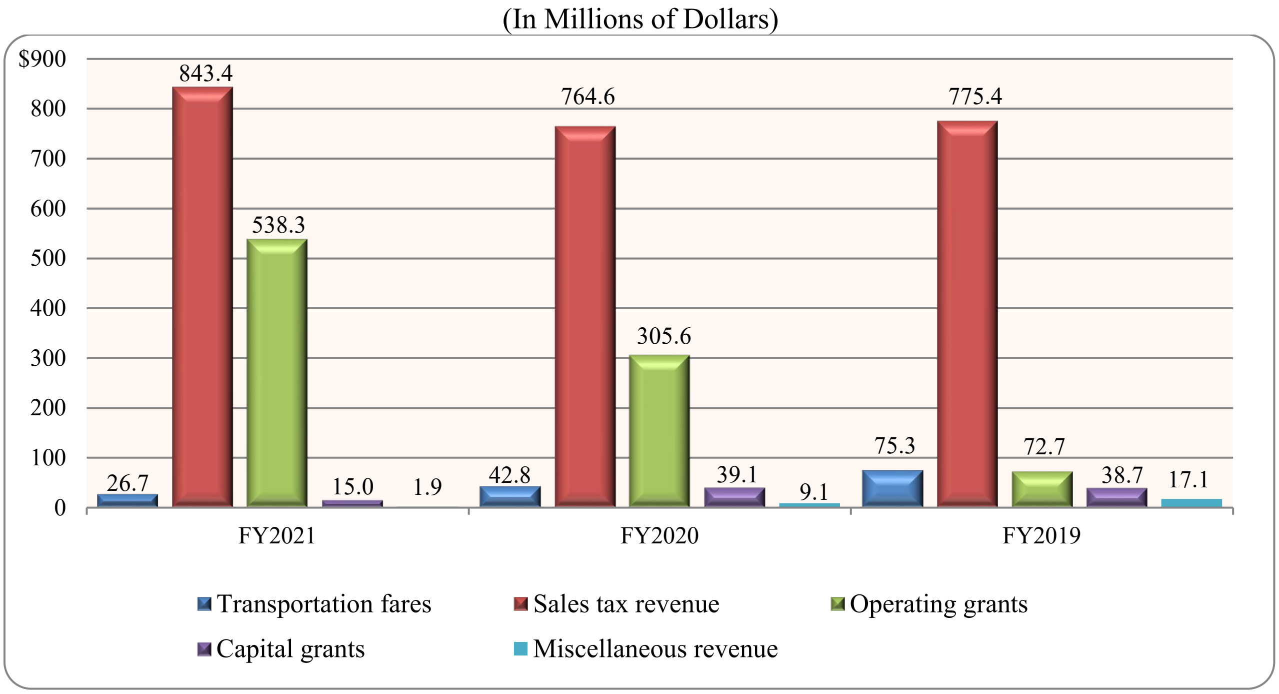
The financial section of this report consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, and the required supplementary information. METRO's financial statements are prepared in conformity with U.S. generally accepted accounting 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

	FY2021	FY2020	Change	Percentage Change		FY2019
Resources						
Transportation fares	$ 26.7	$ 42.8	$(16.1)	(37.6)	%	$ 75.3
Sales tax	843.4	764.6	78.8	(10.3)	%	775.4
Investment income	0.2	6.8	(6.6)	(97.1)	%	12.0
Intergovernmental revenue	0.1	–	0.1	N/A	%	1.7
Other income	1.6	2.3	(0.7)	(30.4)	%	3.4
Grant proceeds (includes capital grants used for maintaining assets)	538.3	305.6	232.7	76.1	%	72.7
Grant proceeds (capital)	15.0	39.1	(24.1)	(61.6)	%	38.7
Total resources	1,425.3	1,161.2	264.1	22.7	%	979.2
Expenses						
Operating						
Scheduled service	370.0	414.8	(44.8)	(10.8)	%	420.8
Nonscheduled service	65.4	77.5	(12.1)	(15.6)	%	79.6
Service support	104.3	100.7	3.6	3.6	%	97.1
Organizational support	61.9	64.7	(2.8)	(4.3)	%	62.3
Depreciation and amortization	187.6	189.7	(2.1)	(1.1)	%	194.6
Total operating expenses	789.2	847.4	(58.2)	(6.9)	%	854.4
Nonoperating						
Noncapitalized interest cost	32.5	35.1	(2.6)	(7.4)	%	46.4
Loss/(gain) on sale of assets/impairment	0.2	0.1	0.1	100.0	%	(0.9)
Funds passed to subrecipients	0.2	0.4	(0.2)	(50.0)	%	1.3
Local infrastructure assistance	187.0	150.6	36.4	24.2	%	196.4
Net loss/(recovery) from declared disasters	7.6	8.5	(0.9)	(10.6)	%	(1.8)
Total nonoperating	227.5	194.7	32.8	16.8	%	241.4
Total expenses	1,016.7	1,042.1	(25.4)	(2.4)	%	1,095.8
Change in net position	408.6	119.1	289.5	(243.1)	%	(116.6)
Net position - beginning of year	1,299.7	1,180.6	119.1	10.1	%	1,297.2
Net position - end of year	$1,708.3	$1,299.7	$ 408.6	31.4	%	$1,180.6

Increases to Net Position (Revenues) with Related Discussions



Transportation fares include revenue from transit customers, METRO STAR Vanpool, and HOT lanes. Fare revenue has decreased almost 64.5 percent between FY2019 and FY2021 as customers starting to work from home or found other methods of transportation due to the COVID-19.

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 experienced a slight decline in FY2020 in the first few months of the pandemic, but then rebounded to increase during FY2021 as the federal government continued to disburse money to support the economy.

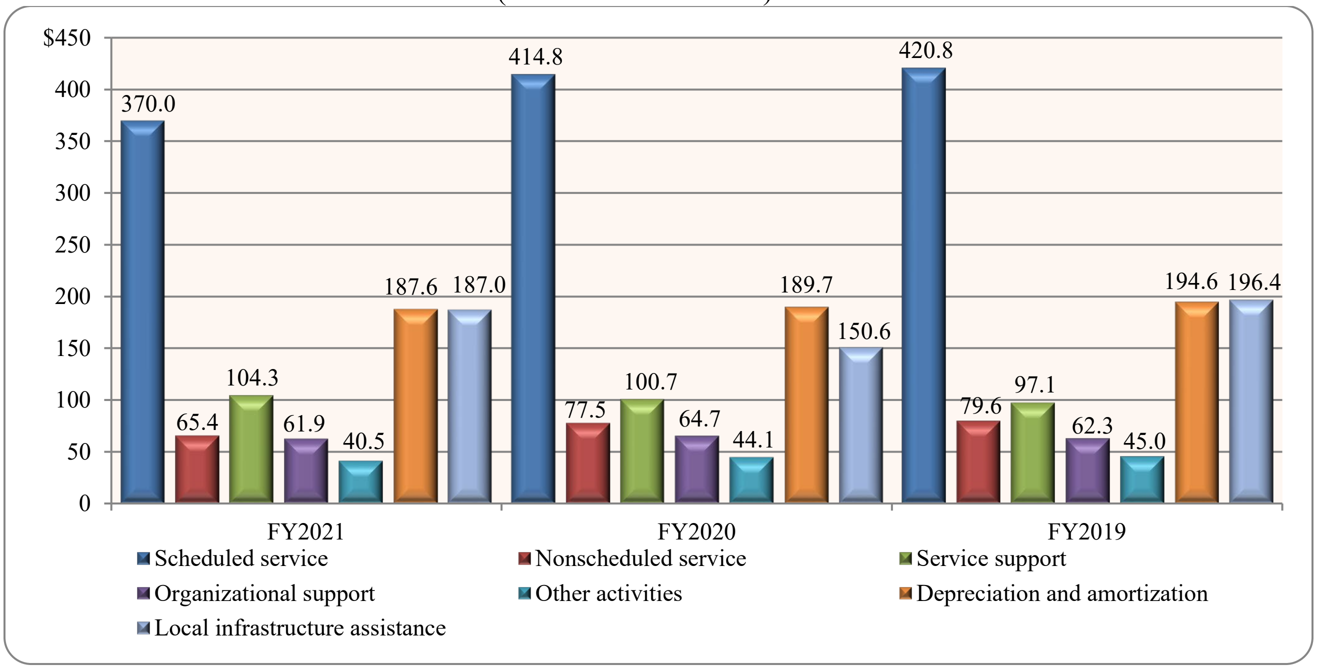
Operating grants (includes capital grants authorized by the FTA for use in maintaining capital assets) are primarily used to maintain transit vehicles and operating specific transit programs such as METROLift and METRO STAR Vanpool. Grants funds are contingent on appropriations from the federal government 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. However, the amount of funds increased significantly during the last two years due to COVID-19 grants issued by the federal government.

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. Funds are collected on a reimbursement basis and based on varying level of eligible capital activity. Reimbursements decreased $23.7 million, or 61.2 percent between FY2019 and FY2021 as grant eligible capital projects were being completed.

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 decrease over the last three years generally relate to lower interest rates and the decline and elimination in FY2020 of the interest rate subsidy received from the U.S. Treasury for the Build American Bonds.

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. Decreases in cost from FY2019 to FY2021 primarily related to temporary service suspension followed by reduced service levels due to COVID-19 throughout all of FY2020 and most of FY2021.

Nonscheduled service includes METROLift, METRO STAR Vanpool, and HOT lanes. The decrease for FY2021 primarily related to temporary service suspension followed by reduced service levels due to COVID-19.

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, 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. Cost has been relatively unchanged comparing to FY2019 with increase during FY2020 due to additional effort on planning for METRONext.

Other activities include interest expense, funds passed to grant subrecipients, gain/loss on sale of assets, and incremental cost related to COVID-19 which occurred since FY2019. The main long-term decrease relates to an active debt restructure plan implemented by the CFO which reduced interest cost offset by increase in incremental cost related to COVID-19.

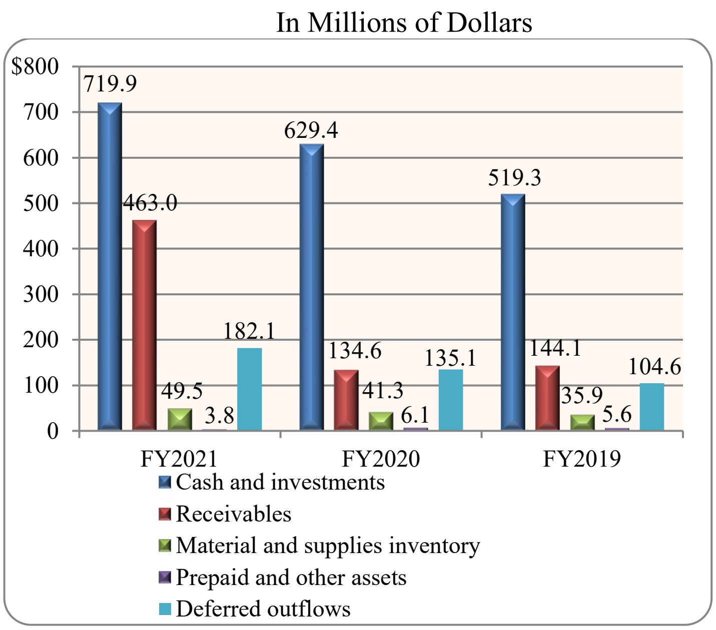
Depreciation and amortization decreased slightly over the last three years as new assets replaced those retired and certain fully depreciated assets were able to remain in service.

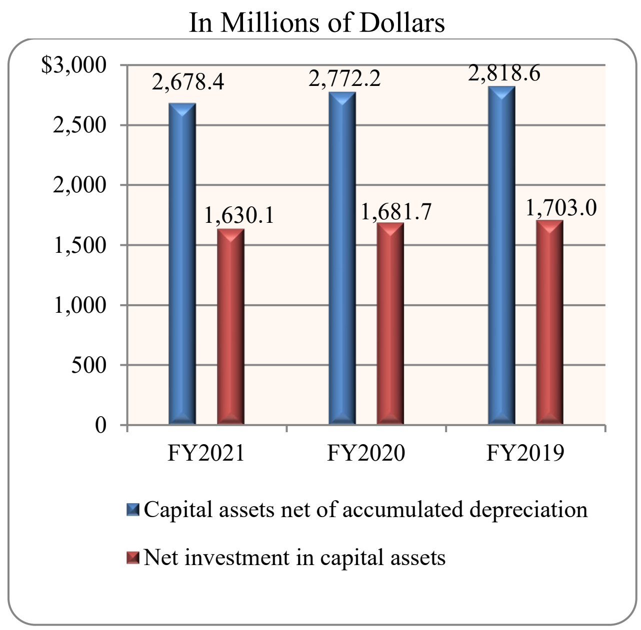
Local infrastructure assistance provides funding to local governments in METRO's service area for street, sidewalks, bridges, and congestion mitigation activities. This voter approved program established a cap of 25% of FY2014 sales tax revenues with any sales tax growth shared equally between METRO and these 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 7 to the basic financial statements.

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

	FY2021	FY2020	Amount of Change	Percentage Change		FY2019
Assets and deferred outflows						
Cash and investments	$ 719.9	$ 629.4	$ 90.5	14.4	%	$ 519.3
Receivables	463.0	134.6	328.4	244.0	%	144.1
Material and supplies inventory	49.5	41.3	8.2	19.9	%	35.9
Capital assets net of depreciation	2,678.4	2,772.2	(93.8)	(3.4)	%	2,818.6
Prepaid and other assets	3.8	6.1	(2.3)	(37.7)	%	5.6
Total assets	3,914.6	3,583.6	331.0	9.2	%	3,523.5
Deferred outflow of resources	182.1	135.1	47.0	34.8	%	104.6
Total assets and deferred outflows	4,096.7	3,718.7	378.0	10.2	%	3,628.1
Liabilities and deferred inflows						
Payables and other liabilities	126.6	160.4	(33.8)	(21.1)	%	175.5
Commercial paper	109.5	115.8	(6.3)	(5.4)	%	116.1
Debt payables	1,073.9	1,144.0	(70.1)	(6.1)	%	1,216.9
Net pension liability	214.0	249.4	(35.4)	(14.2)	%	292.6
Net OPEB liability	752.1	640.5	111.6	17.4	%	560.2
Total liabilities	2,276.1	2,310.1	(34.0)	(1.5)	%	2,361.3
Deferred inflow of resources	112.3	108.9	3.4	3.1	%	86.2
Total liabilities and deferred inflows	2,388.4	2,419.0	(30.6)	(1.3)	%	2,447.5
Net position:						
Net investment in capital assets	1,630.1	1,681.7	(51.6)	(3.1)	%	1703.0
Restricted assets, debt payments	96.4	85.9	10.5	12.2	%	66.1
Unrestricted assets	(18.2)	(467.9)	449.7	(96.1)	%	(588.5)
Total net position	$1,708.3	$1,299.7	$ 408.6	31.4	%	$1,180.6

Assets and Net Investments in Capital Assets





Cash and investments consist of demand deposits and investments. Increases during the last two years are primarily due to cash receipts from the federal government related to COVID-19, sales tax receipts along with lower operating and capital expenditures. 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. Increases during last year were primarily caused by increases in grant billings related to COVID-19.

Material and supplies inventory consist of fuel and parts needed to maintain transit and support vehicles and favorable fuel hedges. Increase during the last three years relates to lower maintenance activity due to COVID-19 and favorable fuel hedges in FY2021 totaling $7.1 million.

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.

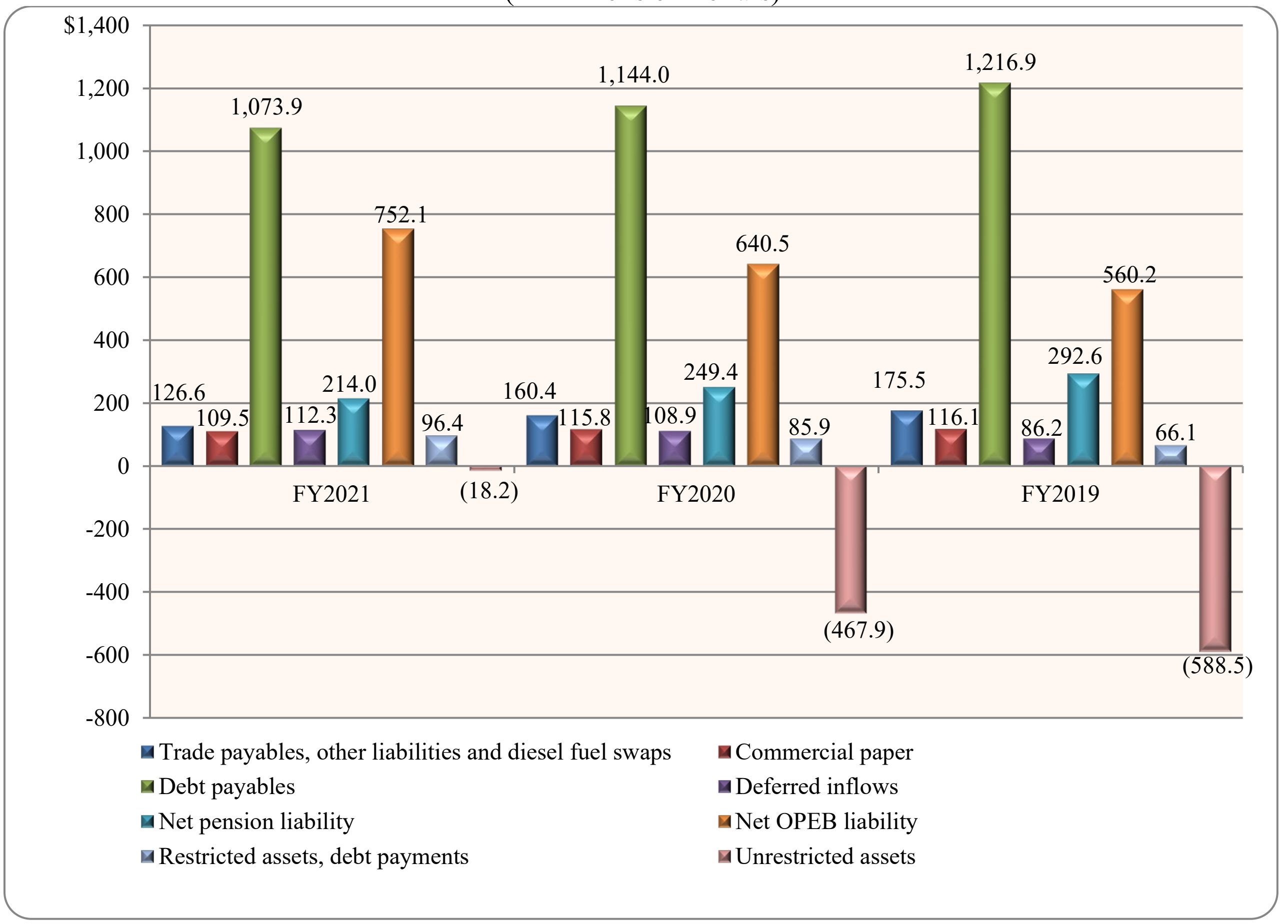
Deferred outflows primarily consist of unfavorable experience when compared to actuarial assumptions used to value the two defined benefit pension plans, the two OPEB plans, related contributions for the period January 1 through September 30, of each year, the refunding of previous outstanding debts and diesel fuel swaps. Changes can vary significantly between years and primarily relate to benefit plans meeting their actuarial assumptions, reporting changes to those assumptions and the volatility in diesel fuel prices. The increase during the last three years primarily relate to OPEB activity as the discount rate used to value the liability declined. Additional information is available in Note 4 and Note 7 to the basic financial statements.

Capital assets net of accumulated depreciation declined during the last three years and generally related 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 is primarily related 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. The change during the last three years was 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 slight decline during the last three years were planned by paying down principal. Additional information on commercial paper is reflected in 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 7 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 the 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 two years primarily relates to actual investment returns significantly exceeding projected rate of return due to improvements in the stock markets and the use of updated assumptions.

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 two 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 remaining negative balance is primarily from the expansion of transportation services and the accounting for OPEB expenses. 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 $135 million for FY2021 and $132 million for FY2020. 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 Sales Tax Revenue: 2021 to 2026
By Date of Allocation, Current $

Year	Low	Medium	High
2021	774,816,824	778,308,402	780,779,908
% y/y	1.0%	1.4%	1.7%
% q4/q4	-0.2%	0.0%	0.2%
2022	797,472,743	803,611,030	811,464,111
% y/y	2.9%	3.3%	3.9%
% q4/q4	6.6%	8.0%	9.7%
2023	841,338,561	863,566,092	892,245,833
% y/y	5.5%	7.5%	10.0%
% q4/q4	4.5%	6.5%	9.0%
2024	875,554,437	912,915,135	963,727,764
% y/y	4.1%	5.7%	8.0%
% q4/q4	4.0%	5.4%	7.5%
2025	908,352,020	959,364,462	1,031,361,725
% y/y	3.7%	5.1%	7.0%
% q4/q4	4.0%	5.3%	7.2%
2026	948,663,401	1,013,633,058	1,110,506,270
% y/y	4.4%	5.7%	7.7%
% q4/q4	3.8%	5.0%	7.1%
2027	979,043,546	1,057,407,590	1,182,894,151
% y/y	3.2%	4.3%	6.5%
% q4/q4	3.6%	4.8%	7.0%

Fiduciary Fund Financial Highlights for The Non-Union Defined Benefit Pension Plan

METRO's funding policy is to contribute each year 100 percent of the independent, actuarially determined contribution which totaled $14.2 million for 2020, $12.6 million for 2019 and $11.1 million for 2018.

Changes to the fiduciary net position are reflected, in thousands, is presented in the following table.

	2020	2019	2018
Total assets	$ 204,727	$ 186,858	$ 162,688
Total liability	213	213	123
Fiduciary net position	$ 204,514	$ 186,645	$ 162,565

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, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	$ 8,824,981	$ 10,433,095
Investments	605,405,807	497,023,144
Investments – restricted	77,599,586	62,320,071
Receivables		
Sales tax	153,116,359	126,006,222
Federal government - Federal Transit Administration	306,221,678	5,280,107
Bus passes and other receivables	3,727,455	3,278,447
Total receivables	463,065,492	134,564,776
Material and supplies inventory	42,378,938	41,339,021
Derivative instrument – diesel fuel swaps	7,127,948	-
Total current assets	1,204,402,752	745,680,107
Noncurrent assets		
Investments – restricted	28,017,293	59,624,894
Capital assets, net of depreciation	2,678,420,032	2,772,201,186
Other noncurrent assets	3,816,504	6,048,165
Total noncurrent assets	2,710,253,829	2,837,874,245
Total assets	3,914,656,581	3,583,554,352
Deferred outflow of resources		
Diesel fuel swaps	-	8,255,586
Pension	32,507,699	48,166,504
OPEB	146,098,986	72,751,190
Debt refunding	3,465,865	5,934,840
Total deferred outflow of resources	182,072,550	135,108,120
Liabilities		
Current liabilities		
Trade payables	61,529,323	85,187,006
Accrued compensation and benefits	37,233,227	37,568,224
Liabilities for injuries and damages	8,996,998	9,199,548
Other current liabilities	9,517,319	9,954,323
Debts payable	65,305,000	58,180,000
Debt interest payable	16,436,215	17,449,094
Derivative instrument – diesel fuel swaps	-	8,255,586
Total current liabilities	199,018,082	225,793,781
Noncurrent liabilities		
Liabilities for injuries and damages	9,285,475	10,241,652
Commercial paper	109,500,000	115,800,000
Debts payable	992,207,854	1,068,419,981
Net OPEB liability	752,121,047	640,487,204
Net pension liability	214,019,389	249,387,571
Total noncurrent liabilities	2,077,133,765	2,084,336,408
Total liabilities	2,276,151,847	2,310,130,189
Deferred inflow of resources		
Pension	39,277,335	26,872,109
OPEB	65,003,333	80,871,003
Bonds	844,849	1,131,663
Diesel fuel swaps	7,127,948	-
Total deferred inflow of resources	112,253,465	108,874,775
Net position		
Net investment in capital assets	1,630,157,148	1,681,643,197
Restricted assets – debt payments	96,366,910	85,902,973
Unrestricted assets	(18,200,239)	(467,888,662)
Total net position	$ 1,708,323,819	$ 1,299,657,508

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, 2021 and 2020

	2021	2020
Operating revenues		
Transportation fares	$ 26,694,634	$ 42,790,171
Operating expenses		
Scheduled services - fixed route		
Bus and rail operations – direct	207,476,799	238,004,728
Contract service	49,763,382	52,644,668
Material distribution	7,306,794	7,622,300
Preventative maintenance	74,727,065	80,898,262
Central shop and maintenance support	25,440,616	29,729,438
Safety and training	5,290,127	5,883,540
Subtotal scheduled services - fixed route	370,004,783	414,782,936
Nonscheduled services – special		
METROLift	55,606,053	63,552,152
METRO Vanpool	4,291,596	7,767,882
HOT lanes and special events	5,495,866	6,175,768
Subtotal non-scheduled services – special	65,393,515	77,495,802
Service support		
Service planning and evaluation	17,096,886	5,365,509
Marketing	7,706,175	13,170,174
Transit security and traffic management	29,188,052	32,888,745
Insurance and claims	7,600,775	6,797,001
Ticket and fare collection	3,354,835	3,707,300
Facility maintenance	39,332,120	38,778,902
Subtotal service support	104,278,843	100,707,631
Organizational support		
Business, community, and governmental development	7,530,400	7,861,620
Administrative, financial, and personnel	18,845,857	20,424,704
Information systems	24,279,234	24,885,137
Purchasing	4,258,416	4,655,107
Oversight, audit, and legal	7,005,588	6,897,824
Subtotal organizational support	61,919,495	64,724,392
Depreciation and amortization	187,570,610	189,722,704
Total operating expenses	789,167,246	847,433,465
Operating loss	(762,472,612)	(804,643,294)
Nonoperating revenues (expenses)		
Sales tax	843,425,291	764,679,590
Investment income	218,826	6,750,760
Intergovernmental revenue	50,042	–
Interest expense	(32,538,180)	(35,087,736)
Other income	1,609,717	2,333,071
Grant proceeds	538,377,367	305,648,022
Local infrastructure assistance	(186,949,035)	(150,622,623)
Funds passed to subrecipients	(157,989)	(449,489)
Loss from sale or disposal of assets	(238,396)	(70,165)
Loss on declared disaster	(7,631,926)	(8,501,572)
Total nonoperating revenues	1,156,165,717	884,679,858
Net increase before capital grants	393,693,105	80,036,564
Capital grant proceeds	14,973,206	39,055,139
Changes in net position	408,666,311	119,091,703
Net position beginning of year	1,299,657,508	1,180,565,805
Net position end of year	$ 1,708,323,819	$ 1,299,657,508

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from transportation fares	$ 25,869,288	$ 45,381,542
Payments to employees	(369,172,983)	(384,468,750)
Payments to suppliers for goods and services	(215,380,416)	(253,662,577)
Net cash used in operating activities	(558,684,111)	(592,749,785)
Cash flows from noncapital financing activities:		
Proceeds from Sales tax	816,073,431	767,771,850
Proceeds from grants	235,703,873	305,198,533
Payments for local infrastructure assistance	(186,949,035)	(150,622,623)
Payment for natural disaster	(7,631,926)	(8,501,572)
Net cash provided by noncapital financing activities	857,196,343	913,846,188
Cash flows from capital and related financing activities:		
Proceeds from grants	16,547,140	39,640,554
Proceeds from sale of sales tax bonds	–	304,130,000
Principal payments related to commercial paper	(6,300,000)	(300,000)
Principal payments related to debts	(58,180,000)	(361,687,434)
Interest payments related to debts	(42,276,025)	(47,415,219)
Purchase of investments for debt services	(109,727,641)	(186,734,435)
Sale of investments for debt services	126,055,727	213,315,749
Interest rebates from Build America Bonds	50,042	–
Proceeds from sale and use of assets	2,255,869	3,942,209
Capital purchases	(120,906,425)	(157,682,302)
Net cash flows used by capital and related financing activities	(192,481,313)	(192,790,878)
Cash flows from investing activities:		
Proceeds from sale and maturities of investments	841,785,623	786,221,346
Purchase of investments	(948,219,895)	(931,566,509)
Interest income	(1,204,761)	8,092,024
Net cash used in investing activities	(107,639,033)	(137,253,139)
Net change in cash	(1,608,114)	(8,947,614)
Cash at beginning of year	10,433,095	19,380,709
Cash at end of year	$ 8,824,981	$ 10,433,095
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (762,472,612)	$ (804,643,294)
Depreciation and amortization	187,570,610	189,722,704
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(968,226)	4,130,354
(Increase) in inventory and other assets	(2,256,680)	(6,039,306)
(Decrease) in net pension liability	(35,368,182)	(43,248,606)
Decrease in deferred outflows – defined benefit pension plans	15,658,805	35,301,529
Increase in deferred inflows – defined benefit pension plans	12,405,226	15,219,133
(Decrease) increase in accrued compensation and benefits	(334,997)	5,586,744
Increase in net OPEB liability	111,633,843	80,282,229
(Increase) in deferred outflows – OPEB	(73,347,796)	(61,200,531)
(Decrease) increase in deferred inflows – OPEB	(15,867,670)	7,168,969
(Decrease) increase in liabilities for injuries and damages	(1,158,728)	318,619
Increase (decrease) in trade payables and other liabilities	5,822,296	(15,348,329)
Cash used in operating activities	$ (558,684,111)	$ (592,749,785)
Noncash investing activities:		
Net increase in fair value of investments	$ 326,692	$ 88,076
Inflows from reissuance of commercial paper	388,750,000	443,650,000
Outflows from reissuance of commercial paper	(395,050,000)	(443,950,000)

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

Metropolitan Transit Authority
Non-Union Defined Benefit Pension Plan and Trust
Statements of Fiduciary Net Position
As of December 31, 2020 and 2019

	2020	2019
Assets		
Cash equivalent	$ 1,254,665	$ 1,234,567
Investments, at fair value:		
Domestic equities	80,054,974	54,554,144
Fixed income	55,912,992	58,484,020
International equities	42,652,001	46,921,078
Real estate	24,724,991	25,645,985
Total investments	203,344,958	185,605,227
Interest and dividends receivable	28,216	18,193
Receivable from sale of securities	98,914	-
Total assets	204,726,753	186,857,987
Liabilities		
Accounts payable	153,369	199,713
Payable for securities purchased	59,709	12,861
Total liabilities	213,078	212,574
Fiduciary net position - restricted for pensions	$ 204,513,675	$ 186,645,413

Metropolitan Transit Authority
Non-Union Defined Benefit Pension Plan and Trust
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Additions		
Employer contributions	$ 14,236,592	$ 12,647,252
Investment income:		
Interest and dividends	960,902	857,051
Net appreciation on investments	20,373,224	26,730,303
Investment income	21,334,126	27,587,354
Less: investment expenses	451,839	538,659
Net investment income	20,882,287	27,048,695
Total additions	35,118,879	39,695,947
Deductions		
Paid to Plan members and beneficiaries	16,899,341	15,335,194
Administrative services	351,276	280,381
Total deductions	17,250,617	15,615,575
Changes in fiduciary net position	17,868,262	24,080,372
Fiduciary net position - restricted for pensions:		
Beginning of the year	186,645,413	162,565,041
End of the year	$ 204,513,675	$ 186,645,413

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 Defined Benefit Pension Plan 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 and cash equivalent consist 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: the Board of Directors adopt a written investment policy and strategies that comply with TPFIA; they 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 from 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, including capital leases, 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. Liabilities relating to capital leases are reflected separately in the Statements of Net Position. METRO has no donated assets.

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 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

New GASB statements adopted during FY2021	Effect on financial reporting
Statement No.84, *Fiduciary Activities*	The December 31, 2020 and 2019 financial statements of Non-Union Defined Benefit Pension Plan were included in this report.
Statement No. 98, T*he Annual Comprehensive Financial Report*	Updated title from CAFR to ACFR
Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*	No Effect

New GASB statements that are being evaluated	Effective Date
Statement No. 87, *Leases*	FY2022
Statement No. 91, *Conduit Debt Obligations*	FY2022
Statement No. 92, *Omnibus 2020*	FY2022
Statement No. 93, *Replacement of Interbank offered Rates*	FY2022
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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*	FY2022

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. Some items required by the TPFIA include written investment policies, designation of adequately trained investment officers, submissions (at least quarterly) of investment reports to the Board of Directors, and compliance reviews performed annually by the external auditors as part of the financial statement audit. In addition, the investment policy must be approved by the Board of Directors annually, which includes a list of authorized broker/dealers and investments, which are limited to obligations of the United States of America, its agencies; 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. 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 $675,215,155 or 95.0 percent of total investments for FY2021 and $573,932,844 or 92.7 percent for FY2020.

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, 2021 and 2020 included:

	Fiscal 2021		Fiscal 2020	
Investments in Government Sponsored Enterprises	Amount	Percentage of Investment Portfolio	Amount	Percentage of Investment Portfolio
Federal Home Loan Banks	$ –	–	$ 34,993,315	5.65%
Total	$ –		$ 34,993,315	

Custodial Credit Risk

METRO's investment policy requires bank deposits to be insured by Federal Deposit Insurance Corporation or collateralized at least 102 percent of 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, 2021 and 2020 were:

	Fiscal 2021	Fiscal 2020
Unrestricted		
Bank balances	$ 8,803,095	$ 10,275,008
Book balances	8,824,981	10,433,095

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 FY2021 and FY2020 were:

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			

FY2020 Fair Value Measurement Based on Reporting Hierarchy

Investments	Fair Value as of September 30, 2020	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	$ 220,355,350	$ 220,355,350	$ –	$ –
U.S. agencies	45,035,265	–	45,035,265	–
Total debt securities	$ 265,390,615	$ 220,355,350	$ 45,035,265	$ –
Local government investment pools measured at the net asset value	353,577,494			
Total investments measured at fair value	$ 618,968,109			

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 fair value of METRO's investments is estimated based on quoted market prices. The investments held at September 30, 2021 and 2020 are indicative of the type of investments made by METRO during each fiscal year and consist of the following:

	Fiscal 2021 Fair Value	Fiscal 2020 Fair Value	Credit Ratings
Unrestricted investments			
U.S. treasuries	$ 297,265,526	$ 220,355,350	Aaa/AA+
U.S. agencies	20,073,479	45,035,265	Aaa/AA+
Local government investment pool	272,332,750	231,632,529	AAAm
U.S. treasury mutual fund	15,734,052	-	AAAm/Aaa-mf
Total unrestricted investments	605,405,807	497,023,144	
Restricted investments			
Local government investment pool	105,616,879	121,944,965	AAAm
Total restricted assets	105,616,879	121,944,965	
Total Investments	$ 711,022,686	$ 618,968,109	

Investment by type and weighted average maturity as of September 30, 2021 and 2020 consisted of the following:

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	

Investment securities:	Fiscal 2020 Fair Value	Less Than 1 Year	More Than 1 Year	Average Maturity
U.S. treasuries	$ 220,355,350	$ 220,355,350	$ -	100 days
U.S. agencies	45,035,265	45,035,265	-	86 days
Local government investment pool	353,577,494	353,577,494	-	46 days
Total Investments	$ 618,968,109	$ 618,968,109	$ -	

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 Defined Benefit Pension Plan

GASB Statement 84 requires the inclusion of the Non-Union Defined Benefit Pension Plan financial statements and selected notes since METRO's Board of Directors is deemed to have a fiduciary role with the plan. You can obtain a complete independently audited financial report by contacting METRO's Treasury Services or refer to METRO website https://www.ridemetro.org/Pages/FAComprehensivePensionPlans.aspx.

Non-Union Pension Plan Committee Members (Committee) act as fiduciaries (based on State of Texas law) for the exclusive purpose of accumulating sufficient assets to pay retiree benefits as they come due. They follow the prudent person rule when authorizing expenses and implementing the investment policy.

The Committee's approved investment policy establishes objectives and guidelines for investing assets held by the Plan and includes methods of managing investment risks. It also includes a funding policy section.

The Plan uses indexes and active managers in implementing its investment strategy and all money managers have accepted, in writing, the responsibilities of a fiduciary.

Additional information on the investment policy, money managers and investment returns are located in the Investment Section (Unaudited) of the independently audited financial annual report. A complete copy of the investment policy can be obtained from METRO's Office of the Controller.

Fair value of the Plan's investments by asset class, percentage of the portfolio and the change between December 31, 2020 and 2019 are as follows:

	2020	%	2019	%	Change
Domestic equities	$ 80,054,974	39%	$ 54,554,144	29%	$ 25,500,830
International equities	42,652,001	21%	46,921,078	25%	(4,269,077)
Fixed income	55,912,992	28%	58,484,020	32%	(2,571,028)
Real estate	24,724,991	12%	25,645,985	14%	(920,994)
Total investments	$ 203,344,958	100%	$ 185,605,227	100%	$ 17,739,731

Investments Returns

The money-weighted rate of return as calculated by the actuary for 2020 and 2019 was a positive 11.28 percent and a positive 16.79 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 11.6 for 2020 and 16.7 for 2019.

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.

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.

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.

Brandywine Global Opportunistic Fixed Income Fund had an average modified duration of 3.72 years while the benchmark (FTSE WGBI (USD)) was 8.90 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 6.62 years while the benchmark (Bloomberg Barclays US Aggregate Bond index) duration was 6.57 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 Plan's investments for 2020 and 2019 using the reporting hierarchy are:

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			

Investments measured at fair value	Total 2019	Level 1	Level 2	Level 3
Common stocks	$ 16,113,953	$ 16,113,953	-	-
Total investments measured at fair value	$ 16,113,953	$ 16,113,953	-	-

Investments measured at net asset value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income				
Global Fixed Income Fund *1	$ 16,730,037	None	Daily	10 Days
Core Fixed Income Fund *2	41,753,983	None	Daily	1 Day
Domestic Equity				
Large-Cap Core Fund *3	24,885,652	None	Daily	1 Day
Large-Cap Value Fund *4	8,381,011	None	Daily	1 Day
Small-Cap Core Fund *8	5,173,528	None	Daily	2 Days
International Equity				
Emerging Market Fund *5	10,647,374	None	Daily	2 Days
Non-U.S. Large-Cap Core Fund *6	26,702,212	None	Daily	2 Days
Non-U.S. Small-Cap Core Fund *7	9,571,492	None	Thrice-Monthly	2 Days
Domestic Real Estate Core Funds *9				
RREEF America REIT II Co	9,766,383	None	Quarterly	30 Days
UBS Trumbull Property Fund	15,879,602	None	Quarterly	60 Days
Total Investments measured at NAV	169,491,274			
Total investments at fair value	$185,605,227			

*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 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. Emerging Markets Fund - *SSgA MSCI Emerging Markets Index Non-Lending Fund* approximately as closely as practicable, before expenses, the performance of the MSCI Emerging Markets Index over the long-term.

*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 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

Changes in capital assets for fiscal year 2020 were as follows:

	October 1, 2019	Additions	Reductions and Retirements	Transfers and Completed Projects	September 30, 2020
Capital assets not depreciated:					
Land	$ 268,846,920	$ –	$(1,292,508)	$ 100	$ 267,554,512
Construction in progress	86,343,060	145,019,691	–	(70,923,140)	160,439,611
Total capital assets not depreciated	355,189,980	145,019,691	(1,292,508)	(70,923,040)	427,994,123
Capital assets depreciated:					
Administration and operating facilities	453,366,689	–	–	3,747,053	457,113,742
Park & Ride lots and transit centers	329,151,003	–	–	3,932,872	333,083,875
Buses and equipment	970,520,793	–	(51,949,307)	46,405,562	964,977,048
Rail cars	289,246,830	–	–	365,291	289,612,121
Rail infrastructure	2,018,903,862	–	–	8,067,793	2,026,971,655
Transitways/HOT lanes	584,571,569	–	–	2,297,197	586,868,766
Other property and equipment	70,833,919	–	(443,671)	6,107,272	76,497,520
Total capital assets depreciated	4,716,594,665	–	(52,392,978)	70,923,040	4,735,124,727
Less accumulated depreciation and amortization:					
Administration and operating facilities	(325,542,956)	(10,935,343)	–	–	(336,478,299)
Park & Ride lots and transit centers	(230,955,623)	(9,914,273)	–	–	(240,869,896)
Buses and equipment	(679,828,108)	(67,638,355)	51,627,782	–	(695,838,681)
Rail cars	(159,843,161)	(19,202,602)	–	–	(179,045,763)
Rail infrastructure	(366,013,272)	(55,555,093)	–	–	(421,568,365)
Transitways/HOT lanes	(449,206,593)	(17,238,558)	–	–	(466,445,151)
Other property and equipment	(41,842,290)	(9,238,480)	409,261	–	(50,671,509)
Total accumulated depreciation and amortization	(2,253,232,003)	(189,722,704)	52,037,043	–	(2,390,917,664)
Total capital assets being depreciated, net	2,463,362,662	(189,722,704)	(355,935)	70,923,040	2,344,207,063
Total capital assets, net	$2,818,552,642	$ (44,703,013)	$(1,648,443)	$ –	$2,772,201,186

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 FY2021 and FY2020 for the TWUPP and the NUPP consisted of:

FY2021

TWUPP	NUPP
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.	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.

FY2020

TWUPP	NUPP
The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and Contingent Survivors were used.	The mortality table was updated to PubG-2010 projected forward (fully generational) with MP-2019. Pub-2010 tables for disabled lives and Contingent Survivors were used.
The investment rate of return assumption changed from 6.50% to 6.25%.	The investment rate of return assumption changed from 6.50% to 6.25%.
The salary scale assumption changed from 2.75% to 3.00%.	The salary scale assumption changed from 2.75% to 3.00%.
The optional form election, termination rates, retirement rates and disability rates were updated based on the latest experience study dated May 18, 2020.	The optional form election, termination rates, retirement rates and disability rates were updated based on the latest experience study dated April 8, 2020.

Changes in assumptions, listed above, along with other economic and demographic losses decreased the TWUPP net pension liability by $10,043,800 and increased the NUPP net pension liability by $14,857,171 during FY2020. 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, 2021, for both defined benefit pension plans was measured as of December 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated January 1, 2020. The actuarial valuation was based on the discount rate and actuarial assumptions listed below and projected forward to the measurement date, September 30, 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, 2021 are reflected later in this report.

Changes in the combined net pension liability for both defined benefit pension plans as of September 30, 2021 and September 30, 2020 were:

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

Net Pension Liability	TWUPP	NUPP	Total
Ending September 30, 2019	$ 174,421,251	$ 118,214,926	$ 292,636,177
Current year changes	(39,757,870)	(3,490,736)	(43,248,606)
Ending September 30, 2020	$ 134,663,381	$ 114,724,190	$ 249,387,571

Pension Expenses Fiscal Year	TWUPP	NUPP	Total
2021	$ 6,725,314	$ 15,748,369	$ 22,473,683
2020	17,402,385	20,969,430	38,371,815

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, 2021 and September 30, 2020 were:

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 outflows for FY2020	TWUPP	NUPP	Total
Contributions between January 1, 2020 through September 30, 2020	$ 12,809,012	$ 10,677,444	$ 23,486,456
Difference between expected and actual economic/demographic experience	–	2,974,809	2,974,809
Change of assumption	9,372,068	12,333,171	21,705,239
Net difference between projected and actual earnings on pension investments	–	–	–
Total deferred outflows September 30, 2020	$ 22,181,080	$ 25,985,424	$ 48,166,504

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

Deferred inflows for FY2020	TWUPP	NUPP	Total
Difference between expected and actual economic/demographic experience	$ 4,350,359	$ 208,552	$ 4,558,911
Change of assumption	6,578,114	80,966	6,659,080
Net difference between projected and actual earnings on pension investments	10,440,152	5,213,966	15,654,118
Total deferred inflows September 30, 2020	$ 21,368,625	$ 5,503,484	$ 26,872,109

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	2.2% per year IRS salary limit	2.2% 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
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, 2019 measurement).	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, 2019 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 FY2018 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, 2021 and January 1, 2020 were:

Participants	2021	2020	Change
Active	1,365	1,469	(104)
Terminated and vested	565	582	(17)
Retired	1,445	1,354	91
Disabled	178	185	(7)
Beneficiaries	370	350	20
Total for all participants	3,923	3,940	(17)

Changes in the Net Pension Liability for the TWUPP is based on a measurement date of December 31, 2020 with the amounts reported on METRO's September 30, 2021 financial statements. Activities for the last two years consisted of:

	For the Years Ending September 30, (Reporting Dates)	
	2021	2020
Total pension liability		
Changes for the year:		
Service cost	$ 5,230,632	$ 4,955,904
Interest on total pension liability	26,440,458	27,493,889
Difference between expected and actual experience	(1,065,945)	(1,881,792)
Changes of assumption	(1,880,019)	(8,162,008)
Benefit payments	(23,306,331)	(21,934,190)
Net change in total pension liability	5,418,795	471,803
Total pension liability beginning	429,293,243	428,821,440
Total pension liability ending	434,712,038	429,293,243
Plan fiduciary net position:		
Contributions from the employer	$ 17,078,683	$ 17,805,961
Members contributions	184,148	199,644
Net investment income	33,666,900	44,495,454
Benefit payments	(23,306,331)	(21,934,190)
Administrative expenses	(388,022)	(337,196)
Net change in plan fiduciary net position	27,235,378	40,229,673
Plan fiduciary net position - beginning	294,629,862	254,400,189
Plan fiduciary net position - ending	321,865,240	294,629,862
METRO's net pension liability	$ 112,846,798	$ 134,663,381

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, 2021.

	1% Decrease to 5.25%	Current Discount Rate 6.25%	1% Increase to 7.25%
Net pension liability	$160,233,390	$ 112,846,798	$ 72,581,448

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, 2021 are listed below:

Asset Class	Index	Actual Allocation	Long-Term Expected Geometric Real Rate of Return
US Cash	BAML 3-Mon Tbill	0.12%	-0.52%
US Core Fixed Income	Barclays Aggregate	18.47%	0.66%
US Global Bonds	Citi WGBI	8.88%	-0.27%
US Large & Mid Caps	Russell 1000	19.32%	2.68%
US Small Caps	Russell 2000	5.92%	2.98%
US Large Value	Russell 1000 Value	4.21%	2.94%
US MidCap Growth	Russell MidCap Growth	5.43%	2.42%
US MidCap Value	Russell MidCap Value	3.34%	2.74%
Global Equity	MSCI ACWI NR	4.02%	3.23%
Non-US Equity	MSCI ACWI xUS NR	12.83%	3.86%
Non-US Small Cap	S&P EPAC EMI	5.66%	4.01%
US REITs	FTSE NAREIT Equity REIT	11.80%	3.42%
Assumed Inflation – Mean			2.20%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			2.87%
Portfolio Nominal Mean Return			5.13%
Portfolio Standard Deviation			12.10%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2021 and FY2020 totaled $6,725,314 and $17,402,385, respectively, and was reported on the Statement of Changes in Net Position for each fiscal year. The decrease in pension expense for FY2021 primarily relates to the amortization of deferred outflows.

A deferred outflow of $14,785,592 and a deferred inflow of $26,368,344 was reported on the statement of net position as of September 30, 2021. Included in the deferred outflow are contributions, by METRO, totaling $11,877,020 for the period January 1, 2021 through September 30, 2021. 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
2022	$ (7,590,580)
2023	(3,885,701)
2024	(8,893,398)
2025	(3,090,093)
Total	$(23,459,772)

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, 2021 and January 1, 2020 were:

Participants	2021	2020	Change
Active	420	440	(20)
Terminated and vested	74	77	(3)
Retired	297	286	11
Disabled	–	–	–
Beneficiaries	64	60	4
Total participants	855	863	(8)

Changes in the Net Pension Liability for the NUPP is based on a measurement date of December 31, 2020 with amounts reported on METRO's September 30, 2021 financial statements. Activities for the last two years consisted of:

	For the Years Ended September 30, (Reporting Dates)	
	2021	2020
Total pension liability		
Changes for the year		
Service cost	$ 3,829,781	$ 3,105,642
Interest on total pension liability	18,554,860	17,962,017
Effect of plan change	1,503,176	–
Difference between expected and actual experience	(1,527,960)	3,547,049
Changes of assumption	(1,143,852)	11,310,122
Benefit payments	(16,899,341)	(15,335,194)
Net change in total pension liability	4,316,664	20,589,636
Total pension liability beginning	301,369,602	280,779,967
Total pension liability ending	305,686,266	301,369,603
Plan fiduciary net position		
Contributions from the employer	14,236,592	12,647,252
Net investment income	20,882,287	27,048,695
Benefit payments	(16,899,341)	(15,335,194)
Administrative expenses	(351,276)	(280,380)
Net change in plan fiduciary net position	17,868,262	24,080,373
Plan fiduciary net position – beginning	186,645,413	162,565,040
Plan fiduciary net position – ending	204,513,675	186,645,413
METRO's net pension liability ending	$ 101,172,591	$ 114,724,190

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, 2021.

	1% Decrease to 5.25%	Current Discount Rate of 6.25%	1% Increase to 7.25%
Net pension liability	$ 132,514,798	$ 101,172,591	$ 74,527,618

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, 2021, are listed below.

Asset Class	Index	Actual Allocation	Long-Term Expected Real Geometric Rate of Return
US Cash	BAML 3-Mon Tbill	0.52%	-0.52%
US Core Fixed Income	Barclays Aggregate	18.98%	0.66%
Global Bonds	Citi WGBI	8.33%	-0.27%
US Large & Mid Caps	Russell 1000	19.64%	2.68%
US Small Caps	Russell 2000	3.03%	2.98%
US Small & Mid Caps	Russell 2500	3.70%	2.89%
US Large Value	Russell 1000 Value	4.21%	2.94%
US MidCap Growth	Russell MidCap Growth	8.62%	2.42%
Global Equity	MSCI ACWI NR	4.55%	3.23%
Non-US Equity	MSCI ACWI xUS NR	11.05%	3.86%
Non-US Small Cap	S&P EPAC EMI	5.26%	4.01%
US REITs	FTSE NAREIT Equity REIT	12.11%	3.42%
Assumed Inflation – Mean			2.20%
Assumed Inflation – Standard Deviation			1.65%
Portfolio Real Mean Return			2.84%
Portfolio Nominal Mean Return			5.10%
Portfolio Standard Deviation			12.13%
Long-Term Expected Rate of Return			6.25%

Pension Plan Expense and Deferred Outflows and Inflows

Pension expense for FY2021 and FY2020 totaled $15,748,369 and $20,969,430 and was reported on the statement of changes in net position for each fiscal year. The decrease in pension expense for FY2021 primarily relates to the amortization of deferred outflows.

A deferred outflow of $17,722,107 and a deferred inflow of $12,908,991 were reported on the statement of net position as of September 30, 2021. Included in the deferred outflow are contributions by METRO totaling $10,071,995 for the period January 1, 2021 through September 30, 2021. 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
2022	$ (556,538)
2023	2,356,242
2024	(5,196,641)
2025	(1,861,942)
Total	$(5,258,879)

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 $7,602,176, $7,627,357, and $6,558,342, with employees contributing $7,214,400, $6,815,388, and $5,719,637.

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 FY2021. 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, (3) or 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. 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, (2) or 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. 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, 2021 consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Active	2,515	1,429
Retirees	1,225	629
Beneficiaries	125	53
Total of all participants	3,865	2,111

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, 2020	December 31, 2020
Valuation date	January 1, 2021	January 1, 2021
Reporting date	September 30, 2021	September 30, 2021
Cost method	Entry age normal – Level percent of pay	Entry age normal – Level percent of pay
Investment rate of return without prefunding	December 31, 2019: 2.74% December 31, 2020: 2.12%	December 31, 2019: 2.74% December 31, 2020: 2.12%
Medical benefits inflation	3.00% per year to apply for 2022 and after following scheduled increases	Varying percentage ranging from 3.7% to 6.0% from 2021 to 2074 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 coverage in retirement. They are assumed to elect coverage under the same medical plan they are currently electing, and at age 65 active employees are assumed to move into the Extend Health plan. Actives currently not electing medical coverage or who are electing a plan not available to retirees are assumed to choose the PPO Basic plan.

	Union OPEB Plan	Non-Union OPEB 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
Inflation assumption	2.2% per annum, compound annually	2.2% per annum, compound annually
Salary increase	3.0% per annum, compound annually	3.00% 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-2020. Pub-2010 tables for disabled lives and contingent survivors were also used.	PubG.H-2010 projected forward (fully generational) with MP-2020. 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 FY2021 OPEB valuation consisted of:

	Union OPEB Plan	Non-Union OPEB Plan
Interest rate	Moved from 2.74% to 2.12%	Moved from 2.74% to 2.12%
Medical coverage	The retiree medical coverage election assumption for eligible employees at retirement was increased from 75% to 80%	No changes
Election of retiree medical coverage from current retirees with only life insurance	The coverage assumption was updated from 5% to 0% of current retirees with only life insurance benefits are assumed to elect retiree medical coverage immediately	No changes

	Union OPEB Plan	Non-Union OPEB Plan
Mortality assumption	The mortality improvement projection scale was updated from MP-2019 to MP-2020 to reflect the latest Society of Actuarial Public Plans Mortality Study in anticipation of future mortality experience	The mortality table projection scale was updated from MP-2019 to MP-2020 to reflect 2020 Society of Actuaries Public Plans Mortality Study tables in anticipation of future mortality experience. Pub-2010 tables for disabled lives and contingent survivors were used for the current and prior valuation
Claim costs	No changes	Updated for current year
2020 retirement package	N/A	The participants who elected to take part in the 2020 retirement window are assumed to retire in 2021

Change in the Net OPEB Liability for FY2021 consist of:

	Union OPEB Plan	Non-Union OPEB Plan	Total
Balance as of September 30, 2020	$563,006,303	$ 77,480,901	$640,487,204
Current year changes			
Service cost	28,699,491	1,844,880	30,544,371
Interest on total OPEB liability	16,014,096	2,208,631	18,222,727
Economic/demographic losses	3,446,136	2,808,652	6,254,788
Assumption changes or inputs	67,119,837	9,941,899	77,061,736
Effect of recording FYE 2019 uncorrected audit misstatements in current year	(3,950,000)	–	(3,950,000)
Benefit payments	(13,433,660)	(3,066,119)	(16,499,779)
Balance as of September 30, 2021	$660,902,203	$ 91,218,844	$752,121,047
Covered payroll	$139,838,479	$107,647,622	
Net OPEB liability as a percentage of covered payroll	472.62%	84.74%	

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

Union OPEB Plan		
1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
$ 785,258,926	$ 660,902,203	$ 562,449,087

Non-Union OPEB Plan		
1% Decrease 1.12%	Current Rate 2.12%	1% Increase 3.12%
$ 102,613,955	$ 91,218,844	$ 81,729,611

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

Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 556,122,917	$ 660,902,203	$ 796,718,288

Non-Union OPEB Plan		
1% Decrease	Current Trend Rate	1% Increase
$ 87,328,438	$ 91,218,844	$ 95,852,041

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. During FY2020 METRO recognized OPEB cost totaling $42,238,432 of which $38,345,788 related to the Union and $3,892,644 related to the Non-Union plan.

Deferred outflows and inflows consisted of:

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

Deferred outflows for FY2020	Union OPEB Plan	Non-Union OPEB Plan	Total
Contributions between January 1, 2020 through September 30, 2020	$ 9,905,476	$ 2,196,528	$ 12,102,004
Difference between expected and actual economic/demographic experience	58,099,976	-	58,099,976
Change of assumption	-	2,549,210	2,549,210
Total deferred outflows September 30, 2020	$ 68,005,452	$ 4,745,738	$ 72,751,190

Deferred inflows for FY2020	Union OPEB Plan	Non-Union OPEB Plan	Total
Difference between expected and actual economic/demographic experience	$ 15,948,825	$ 8,285,236	$ 24,234,061
Change of assumption	51,708,598	4,928,344	56,636,942
Total deferred inflows September 30, 2020	$ 67,657,423	$ 13,213,580	$ 80,871,003

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
2022	$ 4,803,979	$ (863,099)	$ 3,940,880
2023	4,803,979	(522,297)	4,281,682
2024	4,803,979	980,258	5,784,237
2025	4,903,846	1,147,210	6,051,056
2026	13,230,478	1,147,210	14,377,688
Thereafter	31,645,504	1,593,048	33,238,552
Total	$ 64,191,765	$ 3,482,330	$ 67,674,095

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 FY2021 and FY2020 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, 2020 - September 30, 2021	$ 19,441,200	$ 7,838,271	$ (8,996,998)	$ 18,282,473
October 1, 2019 - September 30, 2020	$ 19,122,581	$ 9,518,167	$ (9,199,548)	$ 19,441,200

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. Public/Private Development

During FY2006, METRO leased 11.5 acres of land for 99 years to A-S 90 HWY 290-Skinner, L.P. (lessee), the right (a ground lease) to develop, construct, operate, and maintain a mixed-use residential and commercial facility. METRO maintains a continuing financial interest in the property and must grant prior approval for certain activities, sales, assignments, transfers, and subleasing by the lessee.

As part of the development program, METRO paid $16,630,466 to the lessee for the construction of a multilevel parking garage, transit center and other related improvements known as Cypress Park & Ride. The garage provides parking for tenants and Park & Ride patrons and is maintained by METRO with up to 20% of certain expenses billed to the lessee. The lessee is responsible for maintaining the grounds and may bill METRO up to 33.89% of the cost to maintain the drainage facilities/retention pond and certain common areas. The remaining cost associated with the property and improvement (excluding the garage) is paid by the lessee with most payments being included when calculating METRO's 25% share of cash flow participation rent.

METRO receives $50,000 annually in base rent, paid monthly, and cash flow participation rent calculated as 25% of the net cash flows of the leases less most expenses, reasonable reserves, and the base rent. Upon certain payment events, METRO will receive participation payments calculated as 25% of the net proceeds. These payment events include sale, casualty, condemnation action, or permanent financing of the project. All cash flow participation rent will cease if the lessee sells its interest to a third party. No cash flow participation rents or payment events have been received by METRO through FY2021.

7. 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, 2021 was approximately $135 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 FY2021 totaled $102,589,426.

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 FY2021 and FY2020 totaled $2,068,939 and $1,653,982, 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 FY2021 and FY2020 totaled $624,030 and $1,498,175.

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.

Both commercial paper obligations are reported as a long-term liability on the Statements of Net Position since the related revolving credit and term loan agreements expire more than one year after September 30, 2021.

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, 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

Series	Amount Issued	Maturity Date	Remaining Days Outstanding	Nominal Rate %
A-1	$ 29,100,000	10/01/2021	1	0.10
A-1	25,950,000	12/02/2021	63	0.10
A-1	24,850,000	10/14/2021	14	0.12
A-1	7,900,000	01/25/2022	117	0.13
	87,800,000			
A-3	12,700,000	12/02/2021	63	0.10
A-3	9,000,000	01/25/2022	117	0.13
	21,700,000			
Total	$ 109,500,000			

Changes for CP by series for FY 2020 were as follows:

Series	October 1, 2019	Proceeds	Repayments	September 30, 2020
A-1	$ 94,100,000	$ 365,850,000	$ (365,850,000)	$ 94,100,000
A-3	22,000,000	77,800,000	(78,100,000)	21,700,000
Total	$ 116,100,000	$ 443,650,000	$ (443,950,000)	$ 115,800,000

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 2010A (Buses)		Bonds Series 2011A (Rail Construction)		Contractual Obligations Series 2011B (Buses)	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 4,040,000	$ 84,167	$ 10,340,000	$ 258,500	$ 9,575,000	$ 215,975
	$ 4,040,000	$ 84,167	$ 10,340,000	$ 258,500	$ 9,575,000	$ 215,975

	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
2022	$ 8,090,000	$ 3,217,000	$ 5,000,000	$ 1,919,250	$ 4,390,000	$ 5,959,750
2023	8,505,000	2,802,125	5,260,000	1,662,750	4,615,000	5,734,625
2024	8,945,000	2,365,875	5,530,000	1,393,000	–	5,619,250
2025	9,400,000	1,907,250	5,810,000	1,109,500	16,470,000	5,207,500
2026	9,885,000	1,425,125	6,110,000	811,500	17,315,000	4,362,875
2027-2031	23,560,000	3,548,750	13,175,000	666,875	78,600,000	8,104,503
	$68,385,000	$15,266,125	$40,885,000	$ 7,562,875	$121,390,000	$34,988,503

	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
2022	$ 1,460,000	$ 1,141,925	$ 4,445,000	$ 1,666,625	$ 2,635,000	$ 1,211,875
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
2027-2031	10,300,000	3,042,538	13,330,000	999,500	–	–
2032-2036	7,430,000	569,500	–	–	–	–
	$24,245,000	$ 8,805,038	$35,555,000	$ 7,110,125	$25,555,000	$ 3,267,375

	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
2022	$ 11,695,000	$ 4,365,375	$ 490,000	$ 544,005	$ –	$ 5,951,500
2023	15,660,000	3,681,500	500,000	532,571	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
2027-2031	26,495,000	2,732,375	21,225,000	493,127	68,440,000	11,179,500
2032-2036	–	–	–	–	5,925,000	1,330,875
2037-2041	–	–	–	–	1,845,000	576,875
2042-2045	–	–	–	–	1,350,000	103,250
	$ 93,155,000	$17,124,125	$23,795,000	$ 3,095,920	$119,030,000	$39,049,000

Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	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	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ –	$ 3,206,000	$ 1,080,000	$ 479,452	$ 2,065,000	$ 7,969,079
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	–	470,493	1,965,000	7,779,247
2026	–	3,206,000	1,510,000	456,707	2,000,000	7,744,723
2027-2031	5,830,000	15,884,250	20,225,000	1,680,337	13,665,000	38,069,784
2032-2036	33,765,000	10,514,625	–	–	98,985,000	31,393,834
2037-2041	24,525,000	1,878,625	–	–	136,770,000	16,768,250
2042-2046	–	–	–	–	36,845,000	550,096
	$ 64,120,000	$44,307,500	$22,815,000	$ 4,027,975	$302,095,000	$125,976,522

Total Sales and Use Tax Bonds and Contractual Obligations

Fiscal Year	Public Placement		Direct Placement		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	$ 64,815,000	$ 37,646,473	$ 490,000	$ 544,005	$ 65,305,000	$ 38,190,478	$ 103,495,478
2023	58,145,000	34,799,990	500,000	532,571	58,645,000	35,332,561	93,977,561
2024	63,945,000	31,914,355	515,000	520,847	64,460,000	32,435,202	96,895,202
2025	68,620,000	28,665,290	525,000	508,835	69,145,000	29,174,125	98,319,125
2026	64,600,000	25,423,355	540,000	496,535	65,140,000	25,919,890	91,059,890
2027-2031	273,620,000	85,908,412	21,225,000	493,127	294,845,000	86,401,539	381,246,539
2032-2036	146,105,000	43,808,834	–	–	146,105,000	43,808,834	189,913,834
2037-2041	163,140,000	19,223,750	–	–	163,140,000	19,223,750	182,363,750
2042-2046	38,195,000	653,346	–	–	38,195,000	653,346	38,848,346
	$941,185,000	$308,043,805	$23,795,000	$ 3,095,920	$964,980,000	$311,139,725	$1,276,119,725

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 FY2021 and FY2020 included:

	Scheduled Principal Payments	
	FY2021	FY2020
Contractual Obligations Series 2010A	$ 4,040,000	$ 2,845,000
Bonds Series 2011A	10,340,000	9,835,000
Bonds Series 2011B	9,575,000	–
Contractual Obligations Series 2014	8,090,000	7,700,000
Contractual Obligations Series 2015B	5,000,000	4,760,000
Sales and Use Tax Bonds Series 2016A (Refunding)	4,390,000	–
Contractual Obligations Series 2016B	1,460,000	1,390,000
Sales and Use Tax Bonds Series 2016C (Refunding)	–	11,390,000
Sales and Use Tax Bonds Series 2016D	4,445,000	4,445,000
Refunding Bonds Series 2017A	2,635,000	4,440,000
Contractual Obligations Series 2017B	11,695,000	7,795,000
Direct Place Refunding Bonds Series 2017C	490,000	480,000
Refunding Bonds Taxable Series 2019B	1,080,000	1,065,000
Refunding Bonds Taxable Series 2020A	2,065,000	2,035,000
Total	$ 65,305,000	$ 58,180,000

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

Changes for FY2020 (including refunding) consisted of:

	Changes in Bonds and Contractual Obligations			Changes in Premium or Discount		
Series	October 1, 2019 Principal	Additions	Principal Payments	October 1, 2019 Unamortized Premium or (Discount)	Current Year Addition and Amortization of (Premium) and Discount	Combined Balance September 30, 2020
Public Placement						
2010A	$ 6,885,000	$ –	$ –	$ 309,367	$ (103,122)	$ 7,091,245
2011A	308,180,000	–	(288,005,000)	23,922,098	(23,139,068)	20,958,030
2011B	9,575,000	–	–	763,642	(190,910)	10,147,732
2014	81,405,000	–	(5,320,000)	10,741,767	(1,193,530)	85,633,237
2015A	26,295,000	–	(26,295,000)	1,553,070	(1,553,070)	–
2015B	50,170,000	–	(4,525,000)	7,082,274	(885,284)	51,841,990
2016A	121,390,000	–	–	24,014,270	(2,183,116)	143,221,154
2016B	25,635,000	–	–	4,836,336	(345,453)	30,125,883
2016D	44,445,000	–	(4,445,000)	5,785,873	(578,588)	45,207,285
2017A	29,995,000	–	–	4,180,381	(597,197)	33,578,184
2017B	100,950,000	–	–	16,805,461	(1,527,769)	116,227,692
2018	119,030,000	–	–	18,537,256	(1,532,908)	136,034,348
2019A	64,120,000	–	–	19,724,422	(986,221)	82,858,201
2019B	23,880,000	–	–	–	–	23,880,000
2020A	–	304,130,000	–	–	–	304,130,000
Subtotal	$ 1,011,955,000	$ 304,130,000	$ (328,590,000)	$ 138,256,217	$ (34,816,236)	$ 1,090,934,981
Direct Placement						
2016C	22,585,000	–	(11,195,000)	–	–	11,390,000
2017C	24,745,000	–	(470,000)	–	–	24,275,000
Subtotal	$ 47,330,000	$ –	$ (11,665,000)	$ –	$ –	$ 35,665,000
Total	$ 1,059,285,000	$ 304,130,000	$ (340,255,000)	$ 138,256,217	$ (34,816,236)	$ 1,126,599,981

During FY2020 METRO issued a new debt obligation “Sales and Use Tax Refunding Bonds, Taxable Series 2020A” of $304,130,000. Proceeds from this Taxable Bonds were used to establish a cash deposit and to acquire certain US Treasury Securities-SLGA and T-Notes (collectively, the “Escrowed Securities”) to refund a portion of the Issuer’s outstanding Sales and Use Tax Bond, Series 2011A as reflected in the following schedule:

In-substance Defeased Debt	Sales and Use Tax Refunding Bonds Series 2020A
Sales and Use Tax Bonds, Series 2011A	$288,005,000
Premium	22,356,038
Total amount of defeased debt	310,361,038
Other related activity	
Issuance cost	633,730
Underwriter’s discount	1,235,864
Proceeds of debt service funds	(7,177,028)
Total other related activity	(5,307,434)
Total amount of defeased debt and other related activity	305,053,604
Replacement debt	
Par value	304,130,000
Total replacement debt and premium	304,130,000
Deferred inflows from in-substance debt refunding	(923,604)
Current year amortization	26,252
Ending balance of deferred inflows as of September 30, 2020	$ (897,352)
Net present value savings	$ 72,343,537
Interest rate used in the net present value calculation	2.73%

Changes in deferred outflows and inflows for FY2021 and FY2020 relating to in-substance debt refunding activity include:

	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)

Changes in deferred outflows and inflows for FY2020 and FY2019 relating to in-substance debt refunding activity include:

	Changes in FY2020 Deferred Outflows from In-substance Debt Refunding			
	Beginning Balance as of October 1, 2019	Addition	Amortization	Ending Balance as of September 30, 2020
Sales and Use Tax Refunding Bonds Series 2016A	$ 3,767,299	$ –	$(1,883,649)	$ 1,883,650
Sales and Use Tax Refunding Contractual Obligations Series 2016B	70,032	–	(70,032)	–
Sales and Use Tax Refunding Bonds Series 2017A	858,762	–	(429,381)	429,381
Sales and Use Tax Bonds Series 2017C	458,748	–	(91,750)	366,998
Sales and Use Tax Refunding Bonds Series 2019A	3,377,027	–	(213,773)	3,163,254
Sales and Use Tax Refunding Bonds Series 2019B	105,774	–	(14,217)	91,557
	$ 8,637,642	$ –	$(2,702,802)	$ 5,934,840

	Changes in FY2020 Deferred Inflows from In-substance Debt Refunding			
	Beginning Balance as of October 1, 2019	Addition	Amortization	Ending Balance as of September 30, 2020
Sales and Use Tax Refunding Contractual Obligations Series 2017B	$ (871,033)	$ –	$ 636,722	$ (234,311)
Sales and Use Tax Refunding Contractual Obligations Series 2020A	–	(923,604)	26,252	(897,352)
Sales and Use Tax Refunding	$ (871,033)	$ (923,604)	$ 662,974	$(1,131,663)

In years prior to FY2021 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, 2021 totaled $429,725,000.

Operating Lease

METRO leases land, office space, transit centers, and software under various operating leases. Actual rental expenses for FY2021 and FY2020 were $11,077,641 and $10,319,059 respectively. Future payments for operating leases assume a 2% annual increase from the current year expense and consist of the following:

Fiscal Year Ending	Total Minimum Operating Leases Payments
2022	$ 11,299,194
2023	11,525,177
2024	11,755,681
2025	11,990,795
2026	12,230,611
Total	$ 58,801,458

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 24 diesel fuel swaps totaling 9,618,000 gallons outstanding as of September 30, 2021 of which 22 swaps totaling 6,804,000 gallons will settle in FY2022 and 2 swaps totaling 2,814,000 gallons will settle in FY2023.

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 positive value of $7,127,948 for FY 2021 and negative value of $8,255,586 for FY 2020. Both amounts are reported on the Statements of Net Position as a deferred inflow of resources and a deferred outflow of resources—diesel fuel swaps with an instrument – diesel fuel swaps asset. Swaps which settled during the last two fiscal years decreased diesel fuel cost by $85,852 for FY2021 and increased by $5,431,424 for FY2020. 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, 2020 - September 30, 2021	$ 18,711,842	$ (19,965,786)	$ 18,827,993	$ 17,574,049
October 1, 2019 - September 30, 2020	$ 14,877,992	$ (19,109,274)	$ 22,943,124	$ 18,711,842

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.

The rail expansion program consists of Phase One and Phase Two. During Phase One of the rail expansion program, METRO received advance funding from the FTA totaling approximately $30.6 million. During FY2020 the FTA and METRO reached a preliminary agreement which allows already paid eligible interest cost to be used to offset this amount. This agreement was formally approved by FTA and the offset occurred in FY2021.

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.

8. Loss from Hurricane Harvey

METRO is working with the Federal Emergency Management Assistance (FEMA) and METRO's private insurance company to determine what money, if any, can be recovered from the approximate $13.6 million in damages incurred when Hurricane Harvey impacted the local area in August of 2017. Any related recovery will be recorded in the year a signed agreement is entered into with FEMA.

9. Subsequent Events

After the December 31, 2020 measurement date and METRO's fiscal year-end reporting date of September 30, 2021, an updated mortality projection scale (MP-2021) was published by the Society of Actuaries in October 2021. This updated scale is expected to be reflected in the next valuation report for FYE 2022 in accordance with GASB and generally accepted accounting principles. The updated mortality projection scale, if used in the FY2021 valuation, would have increased the Total OPEB liability for the Non-Union OPEB Plan by approximately $151 thousand (0.2%) and increased the OPEB expense by approximately $22 thousand (0.8%).

After the December 31, 2020 measurement date and METRO's fiscal year-end reporting date of September 30, 2021, an updated mortality projection scale (MP-2021) was published by the Society of Actuaries in October 2021. This updated table is expected to be reflected in the next valuation report for FYE 2022 in accordance with GASB and generally accepted accounting principles. The updated mortality projection scale, if used in the FY2021 valuation, would have increased the Total OPEB liability for the Union OPEB Plan by approximately $2.4 million (0.4%) and increased the OPEB expense by approximately $284 thousand (0.8%).

On September 1, 2021 (the last month of FY2021), METRO executed an agreement for an optional redemption (i.e., payoff) of both Sales & Use Tax Contractual Obligations Series 2010A and Series 2011B. The actual payoff transaction for 2010A totaling $4,040,000 took place on October 1, 2021; while the actual payoff transaction for 2011B totaling $9,575,000 took place on November 1, 2021.

During December 2021 METRO issued Sales and Use Tax Refunding Bonds, Taxable Series 2021A with a par value totaling $38,325,000. Funds from this issuance will be placed into an irrevocable trust and used to purchase governmental securities. The value of these securities along with interest earned will be sufficient to pay for all interest and principal payments as they become due on selected METRO's Sales and Use Tax Contractual Obligations, Series 2014.

METRO was awarded $137 million of discretionary funds relating to the American Rescue Plan from the Federal Transit Administration on March 7, 2022. These funds will be used to support METRO's ongoing efforts to respond to the COVID-19 pandemic.

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Required Supplemental Information

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

	For the Years Ending September 30, (Reporting Dates) *					
	2021	2020	2019	2018	2017	2016
Total pension liability						
Changes for the year						
Service cost	$ 5,230,632	$ 4,955,904	$ 4,647,472	$ 4,930,225	$ 5,328,754	$ 5,549,985
Interest on total pension liability	26,440,458	27,493,889	25,779,685	25,075,414	24,589,485	24,786,145
Changes of benefit terms	–	–	13,850,732	–	–	–
Difference between expected and actual experience	(1,065,945)	(1,881,792)	(4,970,092)	(2,012,736)	(10,556,008)	(2,780,567)
Changes of assumption	(1,880,019)	(8,162,008)	22,299,060	(2,089,318)	(5,369,295)	25,679,785
Benefit payments	(23,306,331)	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Net change in total pension liability	5,418,795	471,803	41,811,660	7,104,045	(3,663,588)	36,667,939
Total pension liability - beginning	429,293,243	428,821,440	387,009,780	379,905,735	383,569,323	346,901,384
Total pension liability - ending	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	17,078,683	17,805,961	15,680,817	15,413,823	16,565,280	19,062,423
Member contributions	184,148	199,644	–	–	–	–
Net investment income	33,666,900	44,495,454	(18,516,579)	40,369,630	17,696,392	(7,809,891)
Benefit payments	(23,306,331)	(21,934,190)	(19,795,197)	(18,799,540)	(17,656,524)	(16,567,409)
Administrative expenses	(388,022)	(337,196)	(326,240)	(314,986)	(277,833)	(314,046)
Net change in plan fiduciary net position	27,235,378	40,229,673	(22,957,199)	36,668,927	16,327,315	(5,628,923)
Plan fiduciary net position – beginning	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146	229,990,069
Plan fiduciary net position – ending	321,865,240	294,629,862	254,400,189	277,357,388	240,688,461	224,361,146
METRO's ending net pension liability	$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	74.04%	68.63%	59.33%	71.67%	63.35%	58.49%
Covered payroll	$ 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 payroll	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.

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

Required Supplemental 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 Payroll (000)	Contribution as a % of Covered Payroll
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%
2012	13,493,650	13,493,652	(2)	93,675,000	14.40%

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	23 years
Inflation	2.2%, adapted for December 31, 2019 measurement and beyond
Salary increase	3.00%, adapted for December 31, 2019 measurement and beyond
Investment rate of return	6.25%, adapted 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, 2019 measurement)

Required Supplemental Information

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

	For the Years Ending September 30, (Reporting Date) *					
	2021	2020	2019	2018	2017	2016
Total pension liability						
Changes for the year						
Service cost	$ 3,829,781	$ 3,105,642	$ 3,034,984	$ 3,210,922	$ 3,465,270	$ 2,782,533
Interest on total pension liability	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	(1,527,960)	3,547,049	872,882	(2,443,045)	9,768,147	6,720,589
Changes of assumption	(1,143,852)	11,310,122	11,269,963	(948,458)	2,530,507	12,232,736
Benefit payments	(16,899,341)	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Net change in total pension liability	4,316,664	20,589,636	19,838,234	3,563,067	21,997,229	28,123,760
Total pension liability - beginning	301,369,602	280,779,967	260,941,732	257,378,665	235,381,436	207,257,676
Total pension liability - ending	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 employers	14,236,592	12,647,252	11,073,254	11,307,275	11,181,136	11,248,671
Net investment income	20,882,287	27,048,695	(11,548,267)	25,029,850	9,971,104	(5,890,916)
Benefit payments	(16,899,341)	(15,335,194)	(12,735,227)	(13,179,671)	(10,374,582)	(8,777,750)
Administrative expenses	(351,276)	(280,380)	(241,979)	(243,606)	(226,067)	(235,357)
Net change in plan fiduciary net position	17,868,262	24,080,373	(13,452,219)	22,913,848	10,551,591	(3,655,352)
Plan fiduciary net position – beginning	186,645,413	162,565,040	176,017,259	153,103,411	142,551,820	146,207,172
Plan fiduciary net position – ending	204,513,675	186,645,413	162,565,040	176,017,259	153,103,411	142,551,820
METRO's ending net pension liability	$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 pension liability	66.90%	61.93%	57.90%	67.45%	59.49%	60.56%
Covered payroll	$ 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 payroll	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.

	2021	2020	2019	2018	2017	2016
The net effect of updating mortality table and other actuarial/demographic assumptions	Decrease	Increase	Increase	Decrease	Increase	Increase
Investment income	Decrease	Decrease	Increase	Decrease	Decrease	Increase
Open to new participants	No	No	No	No	No	No
Pension benefits	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

Required Supplemental 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 Payroll	Contribution as a % of Covered Payroll
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%
2012	10,689,258	10,689,264	(6)	57,702,434	18.52%

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	23 years
Inflation	2.2%, adapted for December 31, 2019 measurement and beyond
Salary increase	3.00%, adapted for December 31, 2019 measurement and beyond
Investment rate of return	6.25%, adapted 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-2019 (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 Supplemental Information

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

	Trust		
	2021	2020	2019
Beginning Balance	$563,006,303	$482,016,117	$523,077,639
Current year changes			
Service cost	28,699,491	23,157,395	21,125,691
Interest on total OPEB liability	16,014,096	19,848,654	18,390,206
Plan changes	-	-	5,155,155
Economic/demographic losses	11,433,354	(15,094,587)	(3,585,114)
Assumption changes or inputs	67,119,837	65,645,427	(70,006,376)
Aggregate effect of recording FYE 2018 and FYE 2019 uncorrected audit misstatements in current year	(11,937,218)	-	-
Benefit payments	(13,433,660)	(12,566,703)	(12,141,084)
Ending Balance	$660,902,203	$563,006,303	$482,016,117
Covered payroll	$139,838,479	$121,276,540	$131,311,637
Net OPEB liability as a percentage of covered payroll	472.62%	464.23%	367.08%

	Non-Union		
	2021	2020	2019
Beginning Balance	$ 77,480,901	$ 78,188,858	$ 86,374,719
Current year changes			
Service cost	1,844,880	1,259,886	1,473,992
Interest on total OPEB liability	2,208,631	2,874,234	2,879,713
Plan changes	-	3,002,579	-
Economic/demographic losses	2,808,652	(7,942,052)	(2,140,599)
Assumption changes or inputs	9,941,899	2,967,113	(6,373,888)
Benefit payments	(3,066,119)	(2,869,717)	(4,025,079)
Ending Balance	$ 91,218,844	$ 77,480,901	$ 78,188,858
Covered-employee payroll	$107,647,622	$ 92,383,938	$ 94,847,245
Net OPEB liability as a percentage of covered payroll	84.74%	83.87%	82.44%

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		
	2021	2020	2019	2021	2020	2019
The net effect of updating mortality table and other actuarial/ demographic assumptions	Increase	Decrease	Decrease	Increase	Decrease	Decrease
Open to new participants	Yes	Yes	Yes	No	No	No
OPEB Benefits	No change	No change	Increase	Increase	Increase	No change
Pay-as-you-go	No change	No change	No change	No change	No change	No change

Unaudited Statistical Section
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, 2021 and the Last Nine Years
(Unaudited)

	2021	2020	2019	2018
Assets				
Cash	$ 8,824,981	$ 10,433,095	$ 19,380,709	$ 6,103,062
Investments	605,405,807	497,023,144	351,422,195	369,969,496
Investments - restricted	77,599,586	62,320,071	40,765,567	51,655,159
Receivables				
Sales tax	153,116,359	126,006,222	129,554,693	124,326,094
Federal government - Federal Transit Administration	306,221,678	5,280,107	5,825,675	5,781,255
Bus passes and other receivables	3,727,455	3,278,447	8,689,553	11,142,730
Total receivables	463,065,492	134,564,776	144,069,921	141,250,079
Material and supplies inventory	42,378,938	41,339,021	35,928,117	34,861,544
Derivative instrument – diesel fuel swaps	7,127,948	–	–	7,344,809
Total current assets	1,204,402,752	745,680,107	591,566,509	611,184,149
Noncurrent assets				
Investments – restricted	28,017,293	59,624,894	107,760,712	26,128,756
Capital assets, net of depreciation	2,678,420,032	2,772,201,186	2,818,552,642	2,861,518,553
Prepaid pension	–	–	–	–
Other noncurrent assets	3,816,504	6,048,165	5,641,114	3,509,785
Prepaid rental payments	–	–	–	–
Total noncurrent assets	2,710,253,829	2,837,874,245	2,931,954,468	2,891,157,094
Total assets	3,914,656,581	3,583,554,352	3,523,520,977	3,502,341,243
Deferred outflow of resources				
Diesel fuel swaps	–	8,255,586	908,127	–
Pension	32,507,699	48,166,504	83,468,033	38,190,329
OPEB	146,098,986	72,751,190	11,550,659	12,231,472
Debt refunding	3,465,865	5,934,840	8,637,643	10,284,073
Total deferred outflow of resources	182,072,550	135,108,120	104,564,462	60,705,874
Liabilities				
Current liabilities				
Trade payables	61,529,323	85,187,006	111,669,469	98,385,337
Accrued compensation and benefits	37,233,227	37,568,224	31,981,480	35,455,552
Liabilities for injuries and damages	8,996,998	9,199,548	7,413,175	5,849,687
Commercial paper	–	–	–	–
Other current liabilities	9,517,319	9,954,323	11,773,356	11,623,183
Capital lease obligations	–	–	–	–
Debt payable	65,305,000	58,180,000	52,250,000	50,870,000
Debt interest payable	16,436,215	17,449,094	19,356,209	20,095,911
Derivative instrument – diesel fuel swaps	–	8,255,586	908,127	–
Total current liabilities	199,018,082	225,793,781	235,351,816	222,279,670
Noncurrent liabilities				
Liabilities for injuries and damages	9,285,475	10,241,652	11,709,406	9,772,064
Commercial paper	109,500,000	115,800,000	116,100,000	116,100,000
Deferred rental payments	–	–	–	–
Capital lease obligation	–	–	–	–
Debt payable	992,207,854	1,068,419,981	1,145,291,217	1,069,362,657
Net OPEB liability	752,121,047	640,487,204	560,204,975	609,452,358
Net pension liability	214,019,389	249,387,571	292,636,177	194,576,865
Other noncurrent liabilities	–	–	–	–
Total noncurrent liabilities	2,077,133,765	2,084,336,408	2,125,941,775	1,999,263,944
Total liabilities	2,276,151,847	2,310,130,189	2,361,293,591	2,221,543,614
Deferred inflow of resources pension	39,277,335	26,872,109	11,652,976	29,880,277
Deferred inflow of resources OPEB	65,003,333	80,871,003	73,702,034	4,610,118
Deferred inflow of resources bonds	844,849	1,131,663	871,033	2,489,751
Deferred inflow of resources diesel fuel swaps	7,127,948	–	–	7,344,809
Total deferred inflow of resources	112,253,465	108,874,775	86,226,043	44,324,955
Net position				
Net Investment in capital assets	1,630,157,148	1,681,643,197	1,703,033,487	1,741,285,896
Restricted assets – debt payments	96,366,910	85,902,973	65,994,756	77,783,915
Unrestricted assets	(18,200,239)	(467,888,662)	(588,462,438)	(521,891,263)
Total net position	$ 1,708,323,819	$ 1,299,657,508	$1,180,565,805	$1,297,178,548

Metropolitan Transit Authority of Harris County, Texas
Statements of Net Position September 30, 2021 and the Last Nine Years
(Unaudited)

2017	2016	2015	2014	2013	2012
$ 5,741,909	$ 6,290,165	$ 5,426,047	$ 3,671,108	$ 3,499,304	$ 1,769,157
313,417,478	321,815,619	410,462,331	316,174,054	313,657,041	358,828,979
57,582,105	57,233,949	45,240,619	31,839,343	28,942,440	37,265,000
113,506,648	114,167,276	117,212,671	119,462,662	110,821,904	103,035,680
7,916,108	11,844,152	12,041,883	25,218,342	73,106,988	26,811,825
13,886,887	10,408,552	12,855,952	10.798,847	10,277,726	13,570,522
135,309,643	136,419,980	142,110,506	155,479,851	194,206,618	143,418,027
34,802,548	32,775,189	28,996,881	24,749,710	20,407,175	17,532,502
3,805,801	–	–	–	1,348,147	3,691,843
550,659,484	554,534,902	632,236,384	531,914,066	562,060,725	562,505,508
38,563,709	42,358,586	50,949,645	67,007,168	27,851,305	129,308,971
2,932,274,940	3,039,197,023	3,139,596,631	3,081,386,561	2,978,791,191	2,579,580,094
–	–	–	26,091,075	26,346,959	26,678,091
3,481,911	3,450,057	3,645,852	3,518,211	6,325,672	3,449,420
2,213,152	4,426,306	7,246,855	10,067,401	52,168,306	64,374,346
2,976,533,712	3,089,431,972	3,201,438,983	3,188,070,416	3,091,483,433	2,803,390,922
3,527,193,196	3,643,966,874	3,833,675,367	3,719,984,482	3,653,544,158	3,365,896,430
–	1,394,262	15,041,432	1,899,588	–	–
77,554,921	92,324,541	32,384,271	–	–	–
–	–	–	–	–	–
12,279,043	16,991,634	–	–	–	–
89,833,964	110,710,437	47,425,703	1,899,588	–	–
71,830,312	114,035,870	114,457,190	83,276,299	149,021,462	125,067,467
34,964,584	29,491,550	30,140,189	26,922,386	27,430,216	23,759,406
6,060,315	4,800,475	4,866,124	4,657,529	3,679,238	3,385,061
–	–	–	–	187,000,000	26,600,000
11,766,741	10,574,928	13,385,191	8,687,095	8,824,195	9,005,559
–	77,311	8,951,781	8,543,263	8,129,906	7,899,879
54,570,000	44,155,000	28,155,000	13,920,000	13,365,000	12,895,000
19,883,931	19,579,295	20,429,616	20,515,002	17,976,710	18,287,887
–	1,394,262	15,041,432	1,899,588	–	–
199,075,883	224,108,691	235,426,523	168,421,162	415,426,727	226,900,259
9,194,897	8,466,099	9,390,567	6,196,311	7,014,731	5,715,969
116,400,000	117,400,000	121,300,000	183,400,000	–	162,400,000
2,213,152	4,426,306	7,246,855	10,067,401	52,168,306	64,374,346
–	–	57,614,124	66,723,307	75,423,971	83,711,279
1,064,656,499	1,077,655,925	1,058,832,615	958,059,450	823,268,698	839,645,874
291,375,150	260,783,392	230,234,947	202,045,812	169,059,735	143,594,021
243,492,528	252,037,793	177,961,819	–	–	–
–	–	–	–	–	–
1,727,332,226	1,720,769,515	1,662,580,927	1,426,492,281	1,126,935,441	1,299,441,489
1,926,408,109	1,944,878,206	1,898,007,450	1,594,913,443	1,542,362,168	1,526,341,748
13,681,779	2,168,916	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
3,805,801	–	–	–	1,348,147	3,691,843
17,487,580	2,168,916	–	–	1,348,147	3,691,843
1,822,890,974	1,920,547,528	2,016,537,016	2,027,406,944	1,948,427,986	1,729,440,810
86,303,282	85,736,440	79,101,851	65,681,932	56,793,745	71,335,683
(236,062,785)	(198,653,779)	(112,545,247)	33,881,751	104,612,112	35,086,346
$1,673,131,471	$1,807,630,189	$1,983,093,620	$2,126,970,627	$2,109,833,843	$1,835,862,839

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position September 30, 2021 and the Last Nine Years
(Unaudited)

	2021	2020	2019	2018
Operating revenues:				
Transportation fares	$ 26,694,634	$ 42,790,171	$ 75,294,678	$ 74,837,624
Operating expenses:				
Scheduled services - fixed route				
Bus and rail operations – direct	207,476,799	238,004,728	248,520,136	223,139,611
Contract service	49,763,382	52,644,668	48,963,055	46,217,396
Material distribution	7,306,794	7,622,300	7,601,492	7,241,607
Preventative maintenance	74,727,065	80,898,262	80,756,840	76,101,739
Central shop and maintenance support	25,440,616	29,729,438	29,662,492	27,614,092
Safety and training	5,290,127	5,883,540	5,251,606	4,699,939
Subtotal scheduled services - fixed route	370,004,783	414,782,936	420,755,621	385,014,384
Non-scheduled services-special				
METROLift	55,606,053	63,552,152	63,234,017	60,542,541
METRO Star Vanpool	4,291,882	7,767,882	10,253,334	10,095,148
HOT lanes and special events	5,495,866	6,175,768	6,081,620	7,762,167
Subtotal non-scheduled services – special	65,393,515	77,495,802	79,568,971	78,399,856
Service support				
Service planning and evaluation	17,096,886	5,365,509	7,072,677	7,309,286
Marketing	7,706,175	13,170,174	18,254,038	11,274,543
Transit security and traffic management	29,188,052	32,888,745	27,619,687	25,404,549
Insurance and claims	7,600,775	6,797,001	6,187,926	5,733,368
Ticket and fare collection	3,354,835	3,707,300	4,184,001	4,079,350
Facility maintenance	39,332,120	38,778,902	33,819,659	31,834,924
Subtotal service support	104,278,843	100,707,631	97,137,988	85,636,020
Organizational support				
Business, community, and governmental development	7,530,400	7,861,620	7,168,351	4,330,137
Administrative, financial, and personnel	18,845,857	20,424,704	19,648,796	18,572,642
Information systems	24,279,234	24,885,137	22,583,471	22,766,588
Purchasing	4,258,416	4,655,107	4,394,874	4,195,061
Oversight, audit, and legal	7,005,588	6,897,824	8,511,539	8,497,420
Subtotal organizational support	61,919,495	64,724,392	62,307,031	58,361,848
Depreciation and amortization	187,570,610	189,722,704	194,565,477	203,727,711
Total operating expenses	789,167,246	847,433,465	854,335,088	811,139,819
Operating loss	(762,472,612)	(804,643,294)	(779,040,410)	(736,302,195)
Nonoperating revenues (expenses):				
Sales tax	843,425,291	764,679,590	775,392,664	759,063,519
Investment income	218,826	6,750,760	12,040,338	6,413,959
Inter-government revenue	50,042	–	1,676,986	1,855,372
Noncapitalized interest expense	(32,538,180)	(35,087,736)	(46,371,218)	(46,704,097)
Other income	1,609,717	2,333,071	3,344,132	2,988,122
Grant proceeds	538,377,367	305,648,022	72,704,334	65,175,440
Local infrastructure assistance	(186,949,035)	(150,622,623)	(196,427,664)	(151,755,726)
Loss for asset impairments	–	–	–	–
Funds passed to subrecipients	(157,989)	(449,489)	(1,302,158)	(1,849,932)
Gain (loss) on sale or disposal of assets	(238,396)	(70,165)	876,612	(9,112)
(Loss)/recovery from declared disaster	(7,631,926)	(8,501,572)	1,778,236	(489,435)
Total nonoperating revenues (expenses)	1,156,165,717	884,679,858	623,712,262	634,688,110
Net increase (decrease) before capital grants	393,693,105	80,036,564	(155,328,148)	(101,614,085)
Capital grant proceeds	14,973,206	39,055,139	38,715,405	8,061,354
Changes in net position	408,666,311	119,091,703	(116,612,743)	(93,552,731)
Net position - beginning of the year 15 and 18 restated	1,299,657,508	1,180,565,805	1,297,178,548	1,390,731,279
Net position - end of the year	$ 1,703,323,819	$ 1,299,657,508	$1,180,565,805	$1,297,178,548

Metropolitan Transit Authority of Harris County, Texas
Statements of Revenues, Expenses, and Changes in Net Position
September 30, 2021 and the Last Nine Years
(Unaudited)

2017	2016	2015	2014	2013	2012
$ 72,817,352	$ 72,052,304	$ 74,651,045	$ 76,282,549	$ 72,782,991	$ 66,887,319
224,741,506	222,625,961	194,117,455	177,124,243	166,613,768	161,362,353
45,623,522	47,355,960	49,839,742	49,298,303	46,620,525	47,431,837
7,389,679	7,042,407	6,244,556	6,086,883	5,540,367	5,966,531
75,330,114	69,716,267	63,007,513	58,752,039	55,367,208	53,439,550
26,416,417	24,284,783	21,073,250	20,208,555	18,961,766	18,103,288
4,627,538	4,433,619	3,612,522	1,135,164	973,447	816,598
384,128,776	375,458,997	337,895,038	312,605,187	294,077,081	287,120,157
56,512,060	55,892,156	52,171,593	49,503,466	45,181,913	40,204,841
9,274,464	5,947,081	5,475,396	5,193,777	4,967,172	5,250,084
9,130,525	8,200,762	8,610,185	7,669,836	5,582,712	2,346,041
74,917,049	70,039,999	66,257,174	62,367,079	55,731,797	47,800,966
8,153,583	4,376,730	4,947,792	3,545,587	3,521,365	3,130,879
11,444,811	10,383,266	9,728,386	7,001,452	7,306,538	6,910,999
25,737,412	22,149,262	21,118,036	19,326,396	18,587,581	20,199,670
5,796,480	5,614,731	5,754,471	7,036,234	5,927,146	5,673,304
4,218,988	4,208,388	3,562,149	3,955,040	3,751,006	3,369,283
29,826,031	30,168,111	26,414,559	23,928,168	21,660,854	20,020,810
85,177,305	76,900,488	71,525,393	64,792,877	60,754,490	59,304,945
4,384,576	3,343,274	2,894,550	3,551,653	4,228,909	5,043,321
17,902,790	16,352,030	14,334,333	13,646,454	14,612,492	15,357,730
21,260,567	18,228,842	17,684,558	16,371,349	13,948,037	14,276,491
4,051,118	3,697,391	3,217,201	3,249,771	2,994,284	2,502,794
8,441,512	6,850,065	7,490,093	5,170,576	8,875,645	5,000,056
56,040,563	48,471,602	45,620,735	41,989,803	44,659,367	42,180,392
206,753,917	212,338,159	173,469,603	160,049,291	136,642,238	137,094,956
807,017,610	783,209,245	694,767,943	641,804,237	591,864,973	573,501,416
(734,200,258)	(711,156,941)	(620,116,898)	(565,521,688)	(519,081,982)	(506,614,097)
690,929,011	686,101,655	715,160,213	685,167,303	642,515,462	593,732,843
3,551,729	1,220,156	597,015	328,666	768,527	625,042
1,849,413	1,956,596	1,841,467	1,843,453	1,986,480	1,986,480
(46,539,847)	(43,109,587)	(14,501,373)	(10,723,830)	(9,888,885)	(13,461,589)
3,349,776	2,585,147	8,841,043	2,643,857	1,845,296	3,030,912
82,009,861	77,117,133	40,230,897	64,927,095	71,766,635	56,460,316
(149,838,694)	(209,464,879)	(149,505,814)	(161,502,564)	(170,373,931)	(222,054,292)
–	–	–	(105,756,522)	–	–
(2,605,361)	(1,887,750)	(2,097,344)	(3,368,756)	(2,016,422)	(1,528,115)
(34,041)	(7,155,654)	(3,130,847)	755,594	(470,021)	(316,485)
(13,634,631)	–	–	–	–	–
569,037,216	507,362,817	597,435,257	474,314,296	536,133,141	418,475,112
(165,163,042)	(203,794,124)	(22,681,641)	(91,207,392)	17,051,159	(88,138,985)
30,664,324	28,330,693	56,584,181	108,344,176	256,919,845	356,987,060
(134,498,718)	(175,463,431)	33,902,540	17,136,784	273,971,004	268,848,075
1,807,630,189	1,983,093,620	1,949,191,080	2,109,833,843	1,835,862,839	1,567,014,764
$1,673,131,471	$1,807,630,189	$1,983,093,620	$2,126,970,627	$2,109,833,843	$1,835,862,839

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 (%)**
2021	7,226.2	$ 63,328	$843,425,291	5.5
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
2012	6,180.8	51,676	593,732,843	6.6

* Prior year published numbers may have changed due to revised information.
** Annual except 2021, 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)

	2020			2011		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Health System	35,360	1	1.11%	–	–	–
Walmart Stores Inc.	29,797	2	0.93%	–	–	–
H-E-B	29,657	3	0.93%	–	–	–
Houston Methodist	26,098	4	0.82%			
The University of Texas MD Anderson Cancer Center	21,576	5	0.68%	–	–	–
HCA Houston Healthcare	15,000	6	0.47%	–	–	–
Kroger Company	14,868	7	0.47%	–	–	–
Exxon Mobil Corp	13,000	8	0.41%	11,000	1	0.41%
Texas Children's Hospital	13,000	9	0.41%	–	–	–
University of Houston	12,696	10	0.40%	–	–	–
Shell Oil Company	–	–	–	10,750	2	0.40%
National Oilwell Varco	–	–	–	8,000	3	0.30%
Chevron Companies	–	–	–	7,000	4	0.26%
JP Morgan Chase	–	–	–	6,750	5	0.25%
Jacobs Technology	–	–	–	6,500	6	0.24%
Halliburton	–	–	–	6,200	7	0.23%
CenterPoint Energy	–	–	–	4,776	8	0.18%
KBR Inc.	–	–	–	4,557	9	0.17%
Conoco Phillips	–	–	–	3,750	10	0.14%
Walgreens	–	–	–	3,750	10	0.14%
	211,052			73,033		

* Based on calendar year.

Sources: GHP Houston Facts – 2020; Houston Chronicle

Note: Total County Employment for 2020 was an estimated 3,192,200 (based on prior year employment figures) and for 2011 was 2,665,000

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
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
2012	1,000,000	7,549,701	9,285,000	17,834,701

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
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
2012	189,000,000	91,611,158	852,540,874	1,133,152,032

Additional information can be found in Note 7 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
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
2012	445,299,632	66,887,319	56,460,316	436,406,460	132,240,807	9,285,000	29,746,383	1,986,480	37,044,903	3.57

Additional information regarding outstanding debt can be found in the Note 7 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)

						Number of						Directional Route Miles			
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	Emp.	Buses*	Rail Cars	BOF	TC	P&R	Rail	HOV Lanes	Service Area (sq. miles)	Total Actual Rail Passenger Car Revenue Miles
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
2012	24,936,852	81,022,576	68,310,468	534,137,148	257,098,944	3,391	1,393	18	6	20	29	14.8	140.8	1285	905,795

Source: Metropolitan Transit Authority Office of Management and Budgets

BOF = Bus Operating Facility

TC = Transit Centers

P&R = Park & Ride Lots

* Includes METROLift

* The source of information for FY12 & FY13 miles data is NTD reports for respective fiscal years.

* Rail Cars – No. of Rail cars in service.

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

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