Capital Metropolitan Transportation Authority Retirement and Savings Plan

Financial Report
December 31, 2020

Contents

Independent Auditor's Report

Retirement and Savings Plan Committee
Capital Metropolitan Transportation Authority Retirement and Savings Plan

Report on the Financial Statements
We have audited the accompanying financial statements of Capital Metropolitan Transportation Authority Retirement and Savings Plan (the Plan), which comprise the statement of plan net position as of December 31, 2020, the related statement of changes in plan net position for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Plan as of December 31, 2020, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter
As discussed in Note 1, the financial statements present only the financial position of Capital Metropolitan Transportation Authority Retirement and Savings Plan and do not purport to, and do not, present the financial position of Capital Metropolitan Transportation Authority as of December 31, 2020, and the changes in financial position for the year then ended. Our opinion is not modified with respect to this matter.

Other Matters—Required Supplementary Information
Accounting principles generally accepted in the United States of America require the management's discussion and analysis, as listed in the table of contents, to 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 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.

RSM US LLP

Austin, Texas
September 30, 2021

Management's Discussion and Analysis

This section of the Capital Metropolitan Transportation Authority Retirement and Savings Plan's (the Plan) financial report presents our discussion and analysis of the Plan's financial performance during the 2020 Plan year. Readers should consider information presented here in conjunction with the financial statements that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Plan's financial statements consist of two basic financial statements: (a) statement of fiduciary net position and (b) statement of changes in fiduciary net position. In addition to the basic financial statements are the notes to the financial statements.

- The statement of plan net position presents the Plan's assets and liabilities and the resulting net position held in trust for participants.

- The statement of changes in plan net position presents the Plan's fiscal year additions to, and deductions from, the Plan's net position. Combined, the two statements report the Plan's net position held in trust for Plan benefits. Net position is the difference between assets and liabilities and is one way to measure the Plan's financial position. Increases and decreases in net position over time are one indicator of whether the Plan's financial health is improving or deteriorating.

- Notes to financial statements provide additional information essential for a full understanding of the data in the financial statements.

Collectively, this information presents the net position held in trust for Plan benefits as of the end of each year and summarizes the changes in net position for the year.

2020 Financial Highlights

- Plan net position increased by $3,198,000 or 12.8%
- Participants contributions decreased by $140,000 or 6.2%
- Benefits paid to participants increased by $724,000 or 50.4%

2019 Financial Highlights

- Plan net position increased by $4,911,000 or 24.4%
- Participants contributions increased by $534,000 or 30.6%
- Benefits paid to participants increased by $374,000 or 35.3%

Financial Analysis

Condensed Statements of Plan Net Position

	December 31		Percentage
	2020	2019	Change
Assets:			
Investments at fair value	$ 27,656,349	$ 24,463,190	13.1%
Loans receivable from participants	574,839	569,558	0.9%
Plan net position held in trust for Plan benefits	$ 28,231,188	$ 25,032,748	12.8%

- Participant loan activity and balances have increased in 2020 and 2019. The net effect of loan activity resulted in an increase in loan balances of approximately $5,000 in 2020 and $3,000 and 2019.
- Total investments were approximately $27,656,000 at the end of the 2020 Plan year, an increase of approximately $3,193,000, or 13.1% for the year. Total investments for Plan Year 2019 increased $4,910,000 to approximately $24,463,000, an increase of 25.1% for the year.
- The Plan's net position increased by approximately $3,193,000 in 2020. Market conditions were more favorable during fiscal year 2020 compared to 2019 and, as a result, most of the Plan's investment funds had positive rate of returns.

Condensed Statements of Changes in Plan Net Position

	Years Ended December 31		Percentage
	2020	2019	Change
Additions:			
Investment and interest income (loss), including loans	$ 3,225,915	$ 4,074,369	(20.82%)
Contributions	2,137,164	2,277,319	(6.15%)
Total additions	5,363,079	6,351,688	(15.56%)
Deductions:			
Benefit payments	(2,161,452)	(1,437,280)	50.4%
General, administrative and other expenses	(3,187)	(3,664)	(13.02%)
Total deductions	(2,164,639)	(1,440,944)	50.2%
Net increase	3,198,440	4,910,744	(34.87%)
Plan net position held in trust for Plan benefits at beginning of year	25,032,748	20,122,004	24.4%
Plan net position held in trust for Plan benefits at end of year	$ 28,231,188	$ 25,032,748	12.8%

Fiscal Years 2020 and 2019

The Plan's net position held in trust was $28,231,000 in fiscal year 2020, compared to a net position of $25,033,000 in fiscal year 2019 an increase of $3,198,000 or 12.8%. The increase in net position was due to an increase in investments of $3,193,000, a result of favorable market conditions in 2020. This was reduced by a $37,000 decrease in activity (contributions less total deductions). Overall, most of the Plan's investment funds reflected positive rate of returns in 2020. During the year ended December 31, 2020, the Plan's net appreciation in investments (including gains and losses on investments bought and sold, as well as held during the year) were primarily from mutual funds.

The Plan's net position increase of $4,911,000, or 24.4% in 2019 was due to the increase in the fair value of investments net of interest and dividends of $4,074,000 combined with current period increase of $837,000 in activity (contributions less total deductions). During 2019, most of the Plan's investments were in mutual funds.

Additions: Funds to pay benefits are accumulated through contributions and returns on invested funds. Employee Contributions for 2020 and 2019 totaled approximately $2,137,000 and $2,277,000, respectively. The contributions decreased by $140,000 in 2020 and increased by $534,000 in 2019. Interest, dividends and net appreciation in investments generated a total investment income of $3,226,000 in 2020 and $4,074,000 in 2019.

Deductions: Expenses paid by the Plan include benefit payments and administrative expenses. Benefits paid to retirees and terminating employees in 2020 and 2019 were approximately $2,161,000 and $1,437,000, respectively, a 50.3% increase from 2019 mainly due to an increase in normal distribution after fifty-nine and half years and rollover of distributions. Administrative expenses were $3,188 in 2020 and $3,664 in 2019.

Current Environment

The Plan had 455 eligible participants as of December 31, 2020, compared to 436 eligible participants as of December 31, 2019.

Future Outlook and Currently Known Facts

The Plan has year-to-date contributions of $1,601,497 and total assets of $31,286,694 as of September 7, 2021. There are no other currently known facts, decisions or conditions known to management.

Request for Information

This financial report is designed to provide a general overview of the finances of the Capital Metropolitan Transportation Authority Retirement and Savings Plan for all parties with an interest. Questions concerning the information in this report or requests for additional financial information should be addressed to Retirement Benefits Administrator, Capital Metropolitan Transportation Authority, 2910 East 5th Street, Austin, Texas 78702.

Capital Metropolitan Transportation Authority Retirement and Savings Plan

Statement of Plan Net Position
December 31, 2020

Assets:	
Investments:	
Domestic equity mutual funds	$ 12,142,581
International equity mutual funds	4,488,936
Fixed income mutual funds	8,388,325
Lincoln Stable Value Fund	2,636,507
Total investments	27,656,349
Loans receivable from participants	574,839
Total assets	28,231,188
Total net position held in trust for Plan benefits	$ 28,231,188

See notes to financial statements.

Capital Metropolitan Transportation Authority Retirement and Savings Plan

Statement of Changes in Plan Net Position
Year Ended December 31, 2020

Additions to Plan net position attributed to:	
Investment income:	
Net appreciation in fair value of investments	$ 2,457,281
Interest and dividends	738,707
Total investment income	3,195,988
Interest income on loans receivable from participants	29,927
Contributions:	
Participants	1,904,018
Employer	37,500
Rollovers	195,646
Total contributions	2,137,164
Total additions	5,363,079
Deductions from Plan net position attributed to:	
Benefits paid to participants	(2,161,452)
Administrative expenses, net of trustee credits	(3,187)
Total deductions	(2,164,639)
Net increase in Plan net position	3,198,440
Plan net position held in trust for Plan benefits at beginning of year	25,032,748
Plan net position held in trust for Plan benefits at end of year	$ 28,231,188

See notes to financial statements.

Note 1. Description of Plan

The following description of the Capital Metropolitan Transportation Authority Retirement and Savings Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Reporting entity: The plan is sponsored by Capital Metropolitan Transportation Authority (the Authority). The Plan does not purport to and does not present the financial position or changes in financial position of the Authority as of any time or for any period.

General: The Plan is a defined contribution plan covering all full-time administrative employees of the Authority who are not members of a collective bargaining unit, who are 21 years of age or older and have completed one month of service during the computation period. The employer discretionary contributions are allocated in a fixed amount, as determined by the employer, as of the time prescribed by law. At December 31, 2020, the Plan's membership consisted of the following:

	December 31 2020
Eligible	455
Active and entitled to benefits	378
Total	833

The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Authority's Board of Directors (the Board) governs the Authority, under which benefit and contribution terms are established or amended.

Management of the Plan is entrusted to the Authority's Board and advised by the Capital Metropolitan Transportation Authority Retirement and Savings Plan Committee (the Committee), whose members are appointed by the Board of the Authority. The Committee has overall responsibility for the operation and administration of the Plan. The Committee determines the appropriateness of the Plan's investment offerings and monitors investment performance, with the assistance of Cornerstone Advisors Asset Management. The assets of the Plan are held in a trust. Lincoln Financial Group Trustee serves as trustee on behalf of the Plan and carries out an investment policy established by the Committee, consistent with the purposes of the Plan and the requirements of applicable laws and regulations.

Contributions: Each year participants may contribute up to the lesser of 100% of their annual compensation, as defined by the Plan, or the maximum permitted under the Internal Revenue Code (IRC), which is $19,500 for 2020. If participants are age 50 and above they can contribute an additional catch up contribution of $6,500 in 2020. Participants may also rollover to the Plan amounts representing distributions from other qualified defined benefit or defined contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. The Plan includes an auto-enrollment provision, whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation and their contributions invested in a designated balanced fund until changed by the participant.

The Authority, at its sole and absolute discretion, may elect to make a discretionary contribution to selected participants. For the years ended December 31, 2020, the Authority made approximately $25,000 in discretionary contributions.

Note 1. Description of Plan (Continued)

Participant accounts: Participants direct the investment of their contributions into various investment options offered by the Plan.

Each participant's account is credited with the participant's contribution and allocations of the Authority's contributions and Plan earnings. Allocations are based on participant earnings or account balances, as defined. Participants are entitled to the benefit that can be provided from the participant's vested account.

Vesting: Participants are vested immediately in their voluntary and employer discretionary contributions plus actual earnings thereon.

Loans from participants: Participants may borrow from their fund accounts. The minimum loan is $1,000. The maximum for a loan is equal to the lesser of $50,000 or 50% of the participant's vested account balance. Loans are secured by the balance in the participant's account and bear interest, as determined by the Plan administrator. Interest rates on loans ranged from 4.25% to 6.5% during the year ended December 31, 2020. Principal and interest are paid ratably through payroll deductions. The loan terms are up to five years or, if for the purchase of a primary residence, up to 10 years.

Payment of benefits: On termination of service due to retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account or payments over a period in monthly, quarterly, semiannual or annual installments. The payment period is not to exceed the participant's and/or the participant and designated beneficiary's life expectancy. Death or disability payments shall be distributed: (1) in equal installments over the life expectancy of the designated beneficiary commencing no later than one year after death or (2) if the designated beneficiary is a spouse, no later than the date on which the participant would have attained age 70½. For termination of service for other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution.

Participants are also allowed to withdraw benefits in the event of financial hardship. Hardship withdrawals are limited to the participant's elective contributions and earnings thereon.

Administrative expenses: The Plan sponsor or the Plan may pay administrative expenses, as provided by the Plan document. The participant pays the loan administration fees.

Forfeitures: According to the Plan document, forfeitures from participant's nonvested accounts will be used to reimburse the Authority for Plan expenses in the year following the year in which they were forfeited. The Authority had $1,398 in forfeitures in 2020. There were no unallocated forfeitures as of December 31, 2020.

Roll out of plan: Participants may elect to rollover, if eligible, account balance into an IRA or other eligible retirement plan. Participants can elect to have the distribution transferred directly into the IRA (including a Roth IRA) or other eligible plan. All or any portion of the distributions of the participant account balance are eligible for rollover except: (1) any distribution that is required under the IRC; and (2) any distribution that is one of a series of installment payments made over a specified period of 10 or more years.

Note 2. Summary of Significant Accounting Policies

Loans receivable from participants: Participants' loans receivable are measured at their unpaid principal balance plus accrued, but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses and are expensed when they are incurred. If a participant ceases to make loan repayments and the Plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded under the terms of the Plan document.

No allowance for credit losses has been recorded as of December 31, 2020.

Basis of accounting: The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the economic resources measurement focus and accrual basis of accounting.

Investment valuation and income recognition: Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is based upon quoted market prices, or when quoted market prices are not readily determinable, estimates using observable inputs, including quoted prices for similar securities, interest rates and a fixed income pricing model that uses available market rates. Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted price per share of the fund.

The Lincoln Stable Value Fund is a group fixed annuity contract and is valued at the guaranteed minimum rate of $1. The Lincoln Stable Value Fund is an investment in a nonparticipating contract with redemption terms that do not consider market rates and is valued at amortized cost.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold, as well as held during the year.

Payment of benefits and administrative expenses: Benefits are recognized as expense when due and payable in accordance with the terms of the Plan. The Plan administrator pays substantially all administrative expenses, which are excluded from the financial statements. Fees related to the administration of loans receivable from participants are charged directly to the participant's account and are included in administrative expenses. Investment-related expenses are included in net appreciation in fair value of investments.

Use of estimates: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risk and uncertainties: The Plan invests in various types of investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of plan net position.

Note 3. Investments

The Plan uses various methods to measure the fair value of investments on a recurring basis. GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are as follows.

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Plan has the ability to access.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3: Inputs are unobservable for the asset or liability, to the extent relevant observable inputs are not available, representing the Plan's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to the Level 3 inputs.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Except for the Lincoln Stable Value Fund, which is a group fixed annuity contract valued at amortized cost, the investments of the Plan are valued at fair value.

Mutual funds: Shares of registered investment companies (mutual funds) are reported at fair value based on the quoted price per share of the fund.

Note 3. Investments (Continued)

Investments consist of the following:

Investment Type	Level 1	Level 2	Level 3	Fair Value
	Fair Value Hierarchy—December 31, 2020			
Domestic equity mutual fund securities:				
Vanguard 500 Index Admiral	$ 4,294,444	$ -	$ -	$ 4,294,444
Fidelity Contrafund	1,885,529	-	-	1,885,529
Diamond Hill Large Cap Y	2,218,976	-	-	2,218,976
Harbor Capital Appreciation Instl	538,506	-	-	538,506
Emerald Growth Institutional	623,150	-	-	623,150
Victory Sycamore Small Company Opp I	610,722	-	-	610,722
Cohen & Steers Realty Shares	713,688	-	-	713,688
Conestoga Small Cap Investors	405,718	-	-	405,718
AMG Managers Silvercrest Small Cap I	335,033	-	-	335,033
Vanguard Small Cap Index Adm	163,024	-	-	163,024
Vanguard Mid Cap Index Adm	206,931	-	-	206,931
T. Rowe Price Growth Stock	113,852	-	-	113,852
MFS Value R6	33,008	-	-	33,008
Total domestic equity mutual fund securities	12,142,581	-	-	12,142,581
International equity mutual fund securities:				
Hartford Schroders International Multi Cap Value	1,445,218	-	-	1,445,218
Harding Loevner International Eq Instl	1,506,539	-	-	1,506,539
American Funds Europacific Growth R6	1,537,179	-	-	1,537,179
Total international equity mutual fund securities	4,488,936	-	-	4,488,936
Fixed income mutual fund securities:				
Vanguard Total Bond Market Index Adm	2,677,179	-	-	2,677,179
Vanguard Inflation Protected Securities Admiral	424,361	-	-	424,361
Baird Core Plus Bond Inst	3,528,698	-	-	3,528,698
Nuveen Preferred Securities I	688,815	-	-	688,815
Eaton Vance Global Macr Absolute Return I	753,202	-	-	753,202
Parametric Commodity Strategy Instl	62,449			
BlackRock Strategic Income Opps Instl	253,621	-	-	253,621
Total fixed income mutual fund securities	8,388,325	-	-	8,388,325
Total investments measured at fair value				25,019,842
Investment at amortized cost:				
Lincoln Stable Value				2,636,507
				$ 27,656,349

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan has no investment policy regarding concentration of credit risk and has all of the Plan's investments in mutual funds. Investments in mutual funds and other pooled investments are not subject to this risk, as the Plan does not own the underlying assets.

Custodial credit risk: Custodial credit risk for investments is the risk that the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction. The Plan has no investment policy regarding custodial credit risk. However, all the Plan's investments are held in open ended mutual funds, which are not subject to custodial credit risk.

Note 3. Investments (Continued)

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan has no formal investment policy regarding credit quality rating guidelines. The associated risks will vary according to each participant's investment elections. Equity mutual funds are not subjected to credit risk. The Plan's other investments are held in bond mutual funds and in the Lincoln Stable Value Fund, which are not rated.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's investment policy does not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Each participant is responsible for determining the maturity and commensurate returns of their portfolio. The following is a listing of the Plan's fixed income investments and related maturity schedule (in years) as of December 31, 2020. The maturity schedule is based on the average maturity of the fund as noted by the fund manager.

	December 31, 2020			
	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Baird Core Plus Bond Inst	$ 3,528,698	$ -	$ -	$ 3,528,698
BlackRock Strategic Income Opps Instl	253,621	-	-	253,621
Eaton Vance Glbl Macr Absolute Return I	753,202	753,202	-	-
Vnguard Total Bond Market ETF	2,677,179	-	-	2,677,179
Vanguard Inflation Protected Securities Admiral	424,361	-	-	424,361
Nuveen Preferred Securities	688,815	688,815	-	-
Parametric Commodity Strategy Instl	62,449	62,449	-	-
	$ 8,388,325	$ 1,504,466	$ -	$ 6,883,859

Foreign currency risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan's investment policy does not specifically address foreign currency risk. The Plan's diversified selection of mutual funds encourages the investment advisors to employ diversification, asset allocation and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their portfolio. The Plan's investment in international mutual funds does not require disclosure of the individual investment within the fund and such fund balances are denominated in U.S. dollars.

Note 4. Related-Party Transactions

Certain Plan investments are shares of mutual funds managed by the trustee, as defined by the Plan. The trustee pays the Plan through a revenue sharing agreement certain basis points based on annual average investment balance. At December 31, 2020, the Plan did not have income from revenue sharing.

Note 5. Plan Termination

Although it has not expressed any intent to do so, the Plan sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. The event of complete discontinuance of contributions to the Plan by the employer does not constitute a formal termination of the Plan and does not preclude later contributions. However, the accounts of all participants will, as of the date of the discontinuance, become 100% vested and nonforfeitable.

Note 6. Tax Status

The Internal Revenue Service has determined and informed the Authority that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Board and the Plan's tax counsel believe the Plan is designed and currently is being operated in compliance with the applicable requirements of the IRC and, therefore, believe the Plan is qualified and the related trust is tax-exempt.

U.S. GAAP requires management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more-likely-than-not would not be sustained upon examination. The Plan is subjected to routine audits and taxing jurisdictions; however, there are currently no audits for any periods in progress.

The Plan is not subject to the provisions of ERISA.

Note 7. Subsequent Events

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have caused significant economic uncertainty and volatility in financial markets. As a result, the Plan's various investment securities could incur volatility in fair value in the future. The impact of COVID-19 continues to evolve rapidly and the Authority is not able at this time to estimate its full impact on the Plan's financial statements. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect the amounts reported in the statements of net assets available for benefits. The current economic environment has increased the degree of uncertainty.

Effective May 1, 2020, the Plan moved from a self-written plan to a Lincoln Volume Submitter Plan. The changes to the plan provisions include the clarification to the vesting at death and disability to allow for 100% vesting; allows installment or distribution payments upon termination over a specified period not to exceed the life or life expectancy of the participant (and a designated beneficiary); and also allows accrual of employer contributions for an individual who dies or becomes disabled in qualified military service will be treated as re-employed for purposes of determining entitlement to benefits under the Plan.