CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES OF STARTRAN, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

CONTENTS

HARPER & PEARSON
COMPANY, P.C. CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Retirement Plan Committee
Capital Metropolitan Transportation Authority
Retirement Plan for Bargaining Unit Employees
of StarTran, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statement of the fiduciary net position of the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. (the Plan) as of December 31, 2020 and the related statement of changes in fiduciary net position for the year then ended and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for out audit opinion.

Emphasis of Matter

As discussed in Note A, the Capital Metropolitan Transportation Authority Board of Directors voted to outsource the operations of the bus services to a private company. The effect of the outsourcing, which was completed in August 2012, was to freeze the Plan to new participants and to fully vest all participants in employer contributions. In addition, Capital Metropolitan Transportation Authority agreed to continue funding the amounts necessary to properly fund the Plan on an actuarially sound basis.

Responsibilities of Trustees for the Financial Statements

The Plan's Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in aggregate, that raise substantial doubt about Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis and the schedules of changes in the Plan's net pension liability, employer's contribution and investment returns be presented to supplement the financial statements. Such information is the responsibility of management, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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, 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 financial statements, and other knowledge we obtained during our audit of the 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.

Harper & Pearson Company, P.C.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
August 30, 2021

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY RETIREMENT PLAN FOR BARGAINING UNIT EMPLOYEES of STARTRAN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2020

This section presents management's discussion and analysis of the fiduciary net position and performance for the year ended December 31, 2020 for the Plan and is offered as an introduction and analytical overview. This narrative is intended as a supplement and should be read in conjunction with the financial statements and other information presented in the report.

Overview of the Financial Statements

The financial statements for the Plan include the following information for the year ended December 31, 2020.

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position
- Notes to the Financial Statements
- Required Supplementary Information

The Statement of Fiduciary Net Position presents the Plan's assets and liabilities and the resulting net position restricted for pension benefits. This statement reflects a year-end snapshot of the Plan's investments, at fair value, along with receivables and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the Plan's net position restricted for pension benefits changed during the year. This statement includes additions for contributions by Capital Metropolitan Transportation Authority and investment earnings and deductions for benefit payments to participants and administrative expenses.

Notes to the financial statements are an integral part of the basic financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the basic financial statements.

Required Supplementary Information presents schedules pertaining to the employer's net pension liability, changes in the Plan's net pension liability, employer's contributions, and the money-weighted rate of return on investments. These schedules are intended to provide additional information useful in evaluating the condition of the Plan.

Financial Highlights

The fiduciary net position of the Plan as of the fiscal year ended December 31, 2020, was $39,382,730. The fiduciary net position, which is held in trust for pension benefits, is available to meet the Fund's ongoing obligations to plan participants and their beneficiaries.

The $39,382,730 value of fiduciary net position represents an increase of $4,098,098. The increase was largely a result of an increase in the investment returns available in the financial markets, which when combined with pension contributions, were adequate to support the level of benefit payments during the fiscal year.

The Plan's ongoing funding objective is to meet long-term benefit obligations through contributions and investment income.

The Plan's rate of return on investments was 15.12% on a money-weighted basis over the fiscal year ended December 31, 2020, and was primarily attributable to the stronger performance in the domestic financial markets. The magnitude of the stronger performance in domestic equity markets over the one-year period ended December 31, 2020, is evidenced from the 15.76% return for the S&P 500. The return of 15.12% for the Plan was well above the Plan's target return of 6.50%. The Plan's rate of return on a money-weighted basis was 9.01% over the last three years, 9.61% over the last five years, and 8.53% over the past ten years.

Revenues (additions to the fiduciary net position) other than investment income for 2020 were $3,999,996, which comprises employer contributions. This compares to contributions in the amount of $3,999,996 in the prior fiscal year. The employer pension contributions during the fiscal year ended December 31, 2020, were based on the actuarial study.

Net investment income (part of additions to fiduciary net position) for 2020 fiscal year was $5,303,600 compared to net investment income of $6,505,801 that was recorded in the prior fiscal year. This was a decrease of $1,202,201, which was a result of the slightly weaker performance in the financial markets in the fiscal year.

Expenses (deductions in fiduciary net position) not related to investment activities for the 2020 fiscal year increased from $5,115,702 to $5,205,498. The increase is largely attributable to an increase in benefits paid to participants.

Condensed Financial Information

	Fiduciary Net Position		
	December 31,		Increase /
	2020	2019	(Decrease)
Assets			
Cash and receivables	$ 83,494	$ 114,049	$ (30,555)
Investments, at fair value	39,303,148	35,180,983	4,122,165
Total Assets	39,386,642	35,295,032	4,091,610
Liabilities			
Accounts payable	3,912	10,400	(6,488)
Total Liabilities	3,912	10,400	(6,488)
Total Fiduciary Net Position Restricted for Pensions	$ 39,382,730	$ 35,284,632	$ 4,098,098

	Changes in Fiduciary Net Position		
	Year Ended June 30,		Increase /
	2020	2019	(Decrease)
Additions			
Employer contributions	$ 3,999,996	$ 3,999,996	$ -
Net investment income	5,303,600	6,505,801	(1,202,201)
Total Additions	9,303,596	10,505,797	(1,202,201)
Deductions			
Benefit payments	4,985,498	4,910,211	75,287
Administrative & other expenses	220,000	205,491	14,509
Total Deductions	5,205,498	5,115,702	89,796
Increase in Fiduciary Net Position	4,098,098	5,390,095	(1,291,997)
Beginning Fiduciary Net Position	35,284,632	29,894,537	5,390,095
Ending Fiduciary Net Position Restricted for Pensions	$ 39,382,730	$ 35,284,632	$ 4,098,098

Analysis of the Plan's Financial Position and Results of Operations

The Plan provides retirement benefits for employees of Startran, Inc. The pension benefits, which are provided by the Plan, are funded by employer and employee contributions and by earnings on investments. The Plan's fiduciary net position held in trust for benefits at December 31, 2020 was $39,382,730, an increase of $4,098,098 from $35,284,632 at December 31, 2019. The smaller increase in 2020 was largely a result of the decreased investment returns available in the financial markets.

For the 2020 and 2019 fiscal year, employer contributions were $3,999,996. The pension contributions during fiscal year 2020 were based on the actuarial study. The Plan recognized a net investment income of $5,303,600 for the 2020 fiscal year, compared with a net investment income of $6,505,801 for the 2019 fiscal year. The investment income in 2020 reflected the slightly weaker performance in the domestic financial markets following the stronger performance in market values that were experienced in 2019. The magnitude of the comparison in domestic equity markets for the 2020 and 2019 fiscal years is evidenced from the returns from the S&P 500 of 15.76% and 28.9%, respectively.

Deductions from the Plan's fiduciary net position held in trust for benefits included primarily benefit payments and administrative expenses. For the 2020 fiscal year, benefit payments were $4,985,498 versus $4,910,211 in the prior fiscal year. Administrative expenses during the 2020 fiscal year were $220,000 versus $205,491 in the prior fiscal year.

The Plan investments, at fair value, were $39,303,148, which was $4,122,165 more than the $35,180,983 in total Plan investments at December 31, 2019. This increase was primarily a result of the strong investment returns available in the financial markets, which when combined with employer contributions, were found to be sufficient to adequately support the level of benefit payments required during the fiscal year.

At December 31, 2020, the Plan held $3,732,368 in common stocks, a decrease of $1,520,849 from the $5,253,217 held at December 31, 2019; $5,546,919 in corporate bonds, an increase of $961,058 from the $4,585,861 held at December 31, 2019; $3,779,929 in government securities, a decrease of $447,304 from the $4,247,233 held at December 31, 2019; $25,851,033 in mutual funds, which represent an increase of $5,095,026 from $20,756,007 held at December 31, 2019; and $392,899 in money market funds, which represents an increase of $54,234 from the $338,665 held at December 31, 2019.

Actuarial Valuations and Funding Progress

An actuarial valuation of the Plan is performed annually. An overall objective in the funding of the Plan is to accumulate sufficient funds to meet long-term benefit obligations. The sources of revenue to fund benefits include investment income and employer contributions. The investment performance for purposes of developing the actuarially determined contribution rate is recognized using a five-year smoothing period. Under this method, each year the Plan recognizes 20 percent of the difference between the market value of assets and the expected actuarial value of assets, based upon the assumed valuation rate of return. This asset valuation method mitigates the short-term impact of market volatility and allows changes in market condition to be recognized (smoothed) over a longer period of time. In contrast, for purposes of providing accounting information under GASB 67, the fiduciary net position is determined on a market value basis.

For the actuarial valuation prepared for funding purposes, the ratio of actuarial assets to actuarial liabilities provides an indication as to whether sufficient assets are accumulated to pay benefits when due; the greater the level of funding, the larger the ratio of assets to liabilities. Since the percentage of fiduciary net position to the total pension liability for accounting purposes uses the market value of assets rather than the actuarial value of assets, there can be significant short-term volatility in the proportion. The funding progress of a plan should be reviewed over a several year period such as five to ten years, to identify the trend in the Plan's funding status. The actuarial funded ratio of the Plan is 60.11%. Percentages for GASB 67 reporting purposes can be found in the schedule of employer's net pension liability on page 18.

Requests for Information

This financial report is designed to provide a general overview of the Plan's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be directed as follows:

CAPITAL METROPOLITAN TRANSPORTATION AUTHORITY RETIREMENT PLAN
FOR BARGAINING UNIT EMPLOYEES of STARTRAN, INC.
C/O ZENITH AMERICAN SOLUTIONS
P.O. BOX 722041
HOUSTON, TEXAS 77272-2041
713-219-1200

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

ASSETS	
INVESTMENTS, AT FAIR VALUE	
Money market funds	$ 392,899
Government securities	3,779,929
Corporate bonds	5,546,919
Common stocks	3,732,368
Mutual funds	25,851,033
TOTAL INVESTMENTS	39,303,148
RECEIVABLES	
Accrued interest and dividend income	55,774
CASH	27,720
TOTAL ASSETS	39,386,642
LIABILITIES	
Accounts payable	3,912
TOTAL LIABILITIES	3,912
NET POSITION RESTRICTED FOR PENSION BENEFITS	$ 39,382,730

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

INVESTMENT INCOME	
Interest and dividend income	$ 648,484
Net increase in fair value of investments	4,781,727
TOTAL INVESTMENT INCOME	5,430,211
INVESTMENT EXPENSES	(126,611)
NET INVESTMENT INCOME	5,303,600
CONTRIBUTIONS	
Employer contributions	3,999,996
TOTAL ADDITIONS	9,303,596
DEDUCTIONS	
Benefits paid to participants	4,985,498
Administrative fees	76,725
Legal, consulting and auditing fees	134,728
Other expenses	8,547
TOTAL DEDUCTIONS	5,205,498
NET INCREASE	4,098,098
NET POSITION RESTRICTED FOR PENSION BENEFITS	
Beginning of year	35,284,632
End of year	$ 39,382,730

See accompanying notes.

NOTE A PLAN SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES

Plan Summary – The Capital Metropolitan Transportation Authority ("Authority") maintains the Capital Metropolitan Transportation Authority Retirement Plan for Bargaining Unit Employees of StarTran, Inc. ("Plan"), a defined benefit pension plan, to provide retirement benefits for employees of StarTran, Inc. whose terms and conditions of employment are governed by a collective bargaining agreement with the Amalgamated Transit Union, Local 1091 (the Local). The Plan was adopted to provide these employees with retirement benefits and to provide certain benefits in the event of death, disability, or other termination of employment. The Plan is administered by the Retirement Plan Committee which has responsibility over the general supervision and administration of the Plan and are fiduciaries for the Plan. The committee is comprised of six members, three are appointed by the sponsor and three are appointed by the Local.

The Plan became effective March 1, 1958 and was amended effective January 1, 1992 when the Plan's name was changed from Management Labor Services Retirement Plan to StarTran, Inc. Retirement Plan. Effective January 1, 2002 the Authority assumed sponsorship of the Plan. The Plan was amended and restated to reflect the change in sponsorship and other related Plan changes. The Plan is maintained as a governmental plan as defined in Section 3(32) of ERISA.

To conform with the requirements of Senate Bill 650 enacted by the 82nd Texas Legislature, the Authority was required to either provide all transportation services with employees of the Authority or to competitively bid and purchase transportation services by September 1, 2012. The Authority transitioned services previously provided by employees of StarTran, Inc. to McDonald Transit Associates, Inc. and MV Transportation, Inc. effective August 19, 2012 (the Transition). The Plan was amended effective as of August 19, 2012 to grant Credited Service for certain limited purposes to Members affected by the Transition, to place certain restrictions on the distribution of lump sum payments, and to clarify certain other terms in connection with the Transition.

The Plan was closed, and the benefits were frozen for all participants as of August 19, 2012. Prior to the Plan being frozen, an amendment was adopted to restrict lump sum distributions for certain employees and to lower the requirement for an Unreduced Early Retirement Age (URA). Participants were eligible for immediate distributions as of August 18, 2012 since they were no longer working for the Authority. The service requirements for URA were changed from 25 years to 22.5 years as of August 18, 2012. Participants receive "credit" toward URA while working for the new contractor. The maximum immediate lump sum payable was capped at $10,000 unless a participant was eligible for URA. A participant who elected to take an immediate $10,000 lump sum forfeited the right to grow into URA.

NOTE A PLAN SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There were no employee contributions after August 18, 2012, except for certain "catch-up" contributions due from employees at the date the Plan was frozen. The Authority is required to make the annual recommended contribution (ARC) as determined by the actuary of the Plan. The ARC is the amount necessary to properly fund the Plan on an actuarial basis. Funding is provided by the Authority over a closed 30-year period, of which 18 years remain, which should lead to a fully funded plan by 2040.

Monthly benefits payable at retirement age are equal to:

- $12.75 multiplied by the Participant's years of credited service for Participants whose date of termination is prior to March 1, 1989.
- $37.50 multiplied by the Participant's years of credited service for Participants whose date of termination is on or after March 1, 1989 but prior to March 1, 1992.
- $38.00 multiplied by the Participant's years of credited service credited as of March 1, 1992 plus $48.00 multiplied by the Participant's years of credited service credited after March 1, 1992 for Participants whose date of termination is on or after March 1, 1992 but prior to January 1, 2001.
- $60.00 multiplied by the Participant's years of credited service for Participants whose date of termination is on or after January 1, 2001.

Participants are eligible for retirement benefits upon reaching normal retirement age of 65. Participants are also eligible for unreduced early retirement upon completion of 22.5 years of credited benefit accrual service. Benefits are fully vested after five years of service. Retirement benefit payments are determined by application of a benefit formula based on the Participant's years of pension credited service. The Plan also contains provisions for late retirement, disability, death, and survivor benefits.

Further information regarding the methods used to determine Participants' accounts, nature of benefits, and vesting provisions is contained in the Plan document which is available to all Plan Participants.

The Plan's financial statements have been prepared to conform with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

As defined by GAAP established by the GASB, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officers of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board and that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or fiscal dependence on the primary government. Based upon the required criteria, the Plan has no component units.

Accounting Records – The accounting records maintained by the Plan are on the accrual basis for financial reporting purposes.

NOTE A PLAN SUMMARY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates – The preparation of financial statements in conformity with GAAP requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Valuation of Investments – Investments are reported at fair value. Fair value 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. In accordance with the policy of stating investments at fair value, net investment gain or loss is included in the carrying value of related investments in the statement of fiduciary net position and the changes in net investment gain or loss are reflected in the statement of changes in fiduciary net position.

Investment Policy – The investment policy is established, maintained, and amended by the Retirement Plan Committee. The Plan assets are managed solely in the interest of the participants and beneficiaries. Investments are managed with the objective of defraying the reasonable expenses of administrating the Plan and preserving the value of Plan assets. The asset allocation policy for 2020 was domestic equities 50%, international equities 20% and fixed income 30%.

Risk & Uncertainties – The Plan investments subject the Plan to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that may develop in the future involves the consideration of current and anticipated conditions and their potential effects on the Plan investments. In determining fair value of these investments, management obtains information, which is considered reliable, from third parties in order to value its investments. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term could materially impact the amounts reflected in the accompanying financial statements.

Impact of COVID-19 Pandemic – As a result of the COVID-19 pandemic occurring during the year ended December 31, 2020, economic uncertainties have arisen which are likely to negatively affect the Plan's operations. However, the related financial impact and duration cannot be reasonably estimated at this time.

Subsequent Events – The Plan has evaluated subsequent events through August 30, 2021, the date the financial statements were available to be issued. No subsequent events occurred, which require adjustment or disclosure to the financial statements at December 31, 2020.

NOTE B NET PENSION LIABILITY

Information included in the following schedules is based on the certification by the Plan's actuarial consultants, AON. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due. It also presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE B NET PENSION LIABILITY (CONTINUED)

The components of the net pension liability of the Plan at December 31, 2020 were as follows:

Total pension liability	$ 65,512,725
Plan fiduciary net position	39,382,730
Plan's net pension liability	$ 26,129,995
Plan fiduciary net position as a percentage of the total pension liability	60.11%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases	N/A
Investment rate of return	6.50%, net of pension plan investment expense

Mortality rates for non-disabled lives were based on the PUB-2010 Amounts-Weighted Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020. For disabled lives, PUB-2010 Amounts-Weighted Disabled Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020.

Plan Membership – As previously discussed the Plan was frozen on August 19, 2012 and closed to new entrants.

At December 31, 2020, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	548
Inactive employees entitled to but not yet receiving benefits	292
*Active employees	137
Total	977

** After August 18, 2012, active participants are considered to be any terminated vested participants who continue to work for the new contractor and accrue eligibility service toward unreduced early retirement benefits. This group includes any members actively working on August 18, 2012 who elected not to receive lump sums.*

NOTE B NET PENSION LIABILITY (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Estimated Geometric Return	Target Allocation
US Large Cap Equity	6.40%	35.00%
US Small Cap Equity	6.90%	15.00%
International Equity	7.50%	15.00%
Emerging Markets	7.80%	5.00%
US Fixed Income	1.80%	30.00%
Total	5.83%	100.00%

Discount Rate – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at $4,000,000 annually until full funding is achieved and then will decline to $200,00 annually to cover administrative expenses. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Since this Plan is frozen, service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan, calculated using the discount rate of 6.50%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.50%) or one-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
Plan's net pension liability	$ 32,376,510	$ 26,129,995	$ 20,806,523

NOTE C INVESTMENTS

The following tables detail the investments of the Plan at December 31 2020:

	Cost	Fair Value
Money market funds	$ 392,899	$ 392,899
Government securities	3,724,633	3,779,929
Corporate bonds	5,222,859	5,546,919
Common stocks	2,211,219	3,732,368
Mutual funds:		
Equity funds	16,740,906	25,851,033
Total	$ 28,292,516	$ 39,303,148

The Plan had the following investments at December 31, 2020 which represented more than five percent of the Plan's net position:

Investment	Number of Shares/Units	Cost	Fair Value
iShares S&P 500 Index Fund	25,200.000	$ 5,351,625	$ 9,459,828
iShares Russell 2000	24,795.000	$ 1,989,013	$ 4,861,307
Euorpacific Growth Fund	56,731.321	$ 3,155,918	$ 3,931,481
iShares Core International Stock Fund	36,416.000	$ 2,263,011	$ 2,446,791
John Hancock International Growth Fund	106,674.998	$ 2,910,147	$ 3,920,306

The Plan manages credit risk by investing in quality obligations with high credit ratings. The Plan's investments with exposure to credit risk as of December 31, 2020 are as follows:

	Fair Value	Rating	Rating Agency
Money market funds	$ 392,899	N/A	N/A
U.S. Treasury notes	2,388,432	AAA	Standard & Poor's
U.S. Government Agency (Mortgage backed)	1,391,497	AA+	Standard & Poor's
Corporate bonds	175,851	AA+	Standard & Poor's
Corporate bonds	432,991	A+	Standard & Poor's
Corporate bonds	1,832,514	A-	Standard & Poor's
Corporate bonds	39,276	AAA	Standard & Poor's
Corporate bonds	199,909	AA	Standard & Poor's
Corporate bonds	222,508	AA-	Standard & Poor's
Corporate bonds	1,083,707	A	Standard & Poor's
Corporate bonds	1,449,848	BBB+	Standard & Poor's
Corporate bonds	110,315	BBB	Standard & Poor's
Total	$ 9,719,747		

NOTE C INVESTMENTS (CONTINUED)

The Plan manages interest rate risk through duration management. Duration is expressed as a number of years. The following table reflects the fair value weighted-average effective duration as of December 31, 2020.

Fixed Income Securities	Fair Value December 31, 2020	Effective Duration
U.S. Treasury notes	$ 2,388,432	7.75
U.S. Government Agency (Mortgage backed)	1,391,497	2.15
Corporate bonds	5,546,919	6.8
Total	$ 9,326,848	

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The money-weighted rate of return for the year ended December 31, 2020 was 15.12%.

NOTE D FAIR VALUE DISCLOSURES

GAAP provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based upon whether the inputs to those valuation techniques are observable or unobservable. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments and the lowest priority to unobservable inputs. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The financial instrument's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. These inputs are summarized in the three levels listed below:

Level 1 – Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Other significant observable inputs (including quoted prices in active or inactive markets for similar financial instruments), or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instruments.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the financial instruments. The fair value of Level 3 financial instruments is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

NOTE D FAIR VALUE DISCLOSURES (CONTINUED)

Following is a description of the valuation techniques used for investments measured at fair value. There have been no changes in the techniques used during 2020.

Money market funds, common stocks and mutual funds are valued at the net asset value of the shares held by the Plan at year end and/or quoted market prices. These investments are considered Level 1 investments.

Government securities and corporate bonds are valued using quotes from independent pricing vendors based on recent trading activity and other relevant information, including market interest rate curves, referenced credit spreads and estimated prepayment rates, where applicable. These investments are considered Level 2 investments.

There were no significant transfers in and/or out of the fair value categories during 2020.

The fair value of investments are categorized as follows at December 31, 2020.

	Level 1	Level 2	Level 3	Total
2019				
Money market accounts	$ 392,899	$ -	$ -	$ 392,899
Mutual funds:				
Equity funds	25,851,033	-	-	25,851,033
Government securities	-	3,779,929	-	3,779,929
Common stocks	3,732,368	-	-	3,732,368
Corporate bonds	-	5,546,919	-	5,546,919
Total	$ 29,976,300	$ 9,326,848	$ -	$ 39,303,148

Schedule of Changes in Plan's Net Pension Liability for the last seven fiscal years: (1) *

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ -	$ -	$ -	$ -	$ 303,363	$ 486,248	$ 391,902
Interest	4,214,154	4,322,203	4,346,270	4,287,202	4,206,646	4,226,699	4,221,102
Change of benefit term	-	-	-	-	-	-	-
Differences between expected and actual experience	164,257	32,703	(213,616)	(1,769,787)	1,878,042	(730,963)	302,377
Change in Assumption	1,235,860	1,279,922	2,453,043	3,305,720	934,709	-	-
Benefit payments, including refunds of employee contributions	(4,985,498)	(4,910,211)	(4,668,156)	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Net change in total pension liability	628,773	724,617	1,917,541	1,282,844	3,100,967	(977,982)	193,822
Total pension liability - beginning	64,883,952	64,159,335	62,241,794	60,958,950	57,857,983	58,835,965	58,642,143
Total pension liability - ending	$ 65,512,725	$ 64,883,952	$ 64,159,335	$ 62,241,794	$ 60,958,950	$ 57,857,983	$ 58,835,965
Plan fiduciary net position							
Contributions - employer	$ 3,999,996	$ 3,999,996	$ 4,000,556	$ 4,004,599	$ 4,005,413	$ 4,010,205	$ 3,915,395
Contribution - employee	-	-	654	4,578	5,417	5,760	6,322
Net investment income (loss)	5,303,600	6,505,801	(2,411,068)	4,420,548	1,621,196	(98,010)	1,813,047
Benefit payments, including refunds of employee contributions	(4,985,498)	(4,910,211)	(4,668,157)	(4,540,291)	(4,221,793)	(4,959,966)	(4,721,559)
Administrative expense	(220,000)	(205,491)	(227,027)	(225,051)	(216,313)	(225,290)	(259,705)
Net changes in plan fiduciary net position	4,098,098	5,390,095	(3,305,042)	3,664,383	1,193,920	(1,267,301)	753,500
Plan fiduciary net position - beginning	35,284,632	29,894,537	33,199,579	29,535,196	28,341,276	29,608,577	28,855,077
Plan fiduciary net position - ending	39,382,730	35,284,632	29,894,537	33,199,579	29,535,196	28,341,276	29,608,577
Net pension liability - ending	$ 26,129,995	$ 29,599,320	$ 34,264,798	$ 29,042,215	$ 31,423,754	$ 29,516,707	$ 29,227,388

	2020	2019	2018	2017	2016	2015	2014
Plan fiduciary net position as a percentage of the total pension liability	60.11%	54.38%	46.59%	53.34%	48.45%	48.98%	50.32%
Covered employee payroll	$ 6,851,646	$ 7,612,940	$ 8,732,490	$ 9,672,912	$ 9,807,345	$ 10,882,123	$ 12,270,378
Association's net pension liability as percentage of covered employee payroll	381.37%	388.80%	392.38%	300.24%	320.41%	271.24%	238.19%

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** (Historical information prior to implementation of GASB 67/68 is not required.)*

See accompanying note to required supplementary information and independent auditor's report.

Schedule of Employer's Contribution for the last seven fiscal years: (1) *

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contributions	$ 2,527,510	$ 2,633,692	$ 2,481,007	$ 2,399,389	$ 2,476,752	$ 2,680,205	$ 2,701,768
Contributions in relation to the actuarially determined contributions	$ 3,999,996	$ 3,999,996	$ 4,000,556	$ 4,004,599	$ 4,005,413	$ 4,010,205	$ 3,915,395
Contribution deficiency (excess)	$(1,472,486)	$(1,366,304)	$(1,519,549)	$(1,605,210)	$(1,528,661)	$ (1,330,000)	$ (1,213,627)
Covered employee payroll	$ 6,851,646	$ 7,612,940	$ 8,732,490	$ 9,672,912	$ 9,807,123	$ 10,882,123	$ 12,270,378
Contributions as a percentage of covered employee payroll	58.38%	52.54%	45.81%	41.40%	40.84%	36.85%	31.91%

Schedule of Investment Returns for years ending December 31, 2014 through 2020: (1)

2014 – 6.43% Annual Money Weighted Rate of Return, Net of Investment Expense.

2015 – 0.04% Annual Money Weighted Rate of Return, Net of Investment Expense.

2016 – 5.99% Annual Money Weighted Rate of Return, Net of Investment Expense.

2017 – 15.04% Annual Money Weighted Rate of Return, Net of Investment Expense.

2018 – (7.22)% Annual Money Weighted Rate of Return, Net of Investment Expense.

2019 – 22.05% Annual Money Weighted Rate of Return, Net of Investment Expense.

2020 – 15.12% Annual Money Weighted Rate of Return, Net of Investment Expense.

(1) Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** (Historical information prior to implementation of GASB 67/68 is not required.)*

See accompanying note to required supplementary information and independent auditor's report.

Actuarial Information and Assumptions:

Actuarial Assumptions - Accounting:	
Expected return on assets	6.50%
Administrative Expenses	$200,000 per annum, non-investment expenses as of beginning of year
Asset Valuation Method	Fair Market Value
Actuarial Cost Method	Unit Credit Cost Method
Actuarial Assumptions - Funding:	
Funding discount rate	6.50%
Salary increases	N/A
Benefit and compensation limits	The IRC section 415 benefit limit, the IRC section 401(a)(17) compensation limit, and Social Security TWB have been projected at 2.50% per year.
Mortality Rates:	
Healthy	PUB-2010 Amounts-Weighted Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020
Disabled	PUB-2010 Amounts-Weighted Disabled Retirement Mortality Table for General Employees with Generational Improvements from 2010 using Scale MP-2020
Surviving Spouse Benefit	It is assumed that 80% of males and 80% of females have an eligible spouse, and that males are 3 years older than their spouse.
Actuarial Value of Assets	The actuarial value of assets is determined by adjusting the market value of plan assets as of December 31, 2020 to reflect investment gains and losses during each of the last 4 years at 25% per year. The actuarial value of assets is then future adjusted, if necessary, to be within 20% of the market value.

Amortization Basis for Funding	Greater of 1) $4 million minus assumed non-investment administrative expenses and 2) a closed 30-year amortization of the Unfunded Actuarial Accrued Liability with 3% annual increases. As of January 1, 2021, there are 18 years remaining on the schedule for 2) above.
Discount Rate Method	Equal to the Expected Return on Assets

Changes in Funding Methods/Assumptions Since the Prior Year

Method Changes

There have been no method changes in the funding valuation since the prior year

Assumption Changes

The funding valuation reflects the following assumption changes:

- The funding discount rate decreased from 6.75% to 6.50% to be consistent with changes in the expected return on assets.

- The expected return on assets decreased from 6.75% to 6.50% to reflect target asset allocation as reflected in the Investment Policy Statement and capital markets long term return expectations

- The mortality assumption for healthy lives changed from PUB-2010 amounts weighted mortality table for general employees with generational improvements from 2010 using scale MP-2019 to the PUB-2010 amounts weighted mortality table for general employees with generational improvements from 2010 using scale MP-2020

- The mortality assumption for disabled lives changed from PUB-2010 amounts weighted disabled retirement mortality table for general employees with generational improvements from 2010 using scale MP-2019 to PUB-2010 amounts weighted disabled retirement mortality table for general employees with generational improvements from 2010 using scale MP-2020