METROLINK

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2023 & 2022

Serving the California counties of:
Los Angeles, Orange, Riverside, San Bernardino & Ventura

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SOUTHERN CALIFORNIA
REGIONAL RAIL AUTHORITY

A Joint Exercise of Powers Agreement Among:

Los Angeles County Metropolitan Transportation Authority
Orange County Transportation Authority
Riverside County Transportation Commission
San Bernardino County Transportation Authority
Ventura County Transportation Commission

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2023 and 2022

Prepared by:
Finance Department

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

For Fiscal Years Ended June 30, 2023 and 2022

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METROLINK

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METROLINK

Southern California Regional Rail Authority | metrolinktrains.com
900 Wilshire Boulevard Suite 1500 Los Angeles, CA 90017

December 21, 2023

The Board of Directors
Southern California Regional Rail Authority
900 Wilshire Boulevard, Suite 1500
Los Angeles, CA 90017

Dear Board Members:

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of the Southern California Regional Rail Authority (SCRRA) for the fiscal year ended June 30, 2023, with comparative information for the fiscal year ended June 30, 2022. This report consists of management's representations concerning the finances of SCRRA.

Management is responsible for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive system of internal controls that are designed both to protect SCRRA's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of SCRRA's basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Given the cost of internal controls should not outweigh its benefits, SCRRA's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. SCRRA assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects. The enclosed data reports the financial position and results of operations of the business type activity of SCRRA, an enterprise fund. This report includes the necessary disclosures to allow the reader to understand SCRRA's basic financial activities.

Eide Bailly, LLP, a firm of licensed Certified Public Accountants, had been retained to perform an independent audit of SCRRA's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of SCRRA for the fiscal year ended June 30, 2023, are free of material misstatements. The independent audit involved examining, on a test basis, the evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used; significant estimates made by management; and evaluating the overall financial statement presentation. Based upon the audit, Eide Bailly, LLP concluded that SCRRA's basic financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The report of the independent audit is presented as the first component of the financial section within this report.

The independent audit of SCRRA's basic financial statements was part of a broader, federally mandated Single Audit, under the guidelines of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), designed to meet the requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements in accordance with GAAP, with a special emphasis on internal controls. Tests of transactions and account balances are performed to ensure that the information presented in the basic financial statements, and notes thereof, are accurate. In addition, SCRRA must prepare a Schedule of Expenditures of Federal Awards, which is considered supplementary financial information and is unique to recipients of federal assistance. The schedule details all the federal assistance expended by the recipient during the year and categorized by federal program. The schedules and audit results are available in SCRRA's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. SCRRA's MD&A can be found immediately following the report of the independent audit.

Profile of the Agency

During the late 1980s, several agencies conducted studies and developed plans for commuter rail transportation in the Southern California region. These efforts gained momentum with the passage of local sales tax measures for transportation in Riverside and San Bernardino counties and in 1990, in Los Angeles and Orange counties. In June 1990, at the request of local officials, the California State Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the county transportation commissions of Los Angeles, Orange, Riverside, and San Bernardino to jointly develop a plan for regional transit services within the multi-county region. Many of the supporters of commuter rail worked on a State rail bond measure that passed in November 1990. The measure combined with local resources and other State funds, provided the funding to purchase the rail rights-of-way and perform the construction for what was to become the Metrolink system.

In June 1991, following an eight-month cooperative planning effort, the four transportation commissions, in conjunction with the Ventura County Transportation Commission, Los Angeles-San Diego Rail Corridor Agency, and Southern California Association of Governments, produced a report entitled, "Southern California Commuter Rail, 1991 Regional System Plan." The report outlined plans for a system to connect Southern California consisting of six commuter rail lines comprised of more than 400 miles of track and 60 stations by 1995. This ambitious plan would define what is now the nation's third-largest commuter rail system.

In August 1991, SCRRA, a regional Joint Powers Authority (JPA), was formed. Voting members, known as Member Agencies, with their respective number of votes consist of:

- Los Angeles County Metropolitan Transportation Authority (LACMTA), four votes.
- Orange County Transportation Authority (OCTA), two votes.
- Riverside County Transportation Commission (RCTC), two votes.
- San Bernardino County Transportation Authority (SBCTA), two votes.
- Ventura County Transportation Commission (VCTC), one vote.

Ex-officio members of SCRRA include the Southern California Association of Governments (SCAG), the San Diego Association of Governments (SANDAG), and the State of California Department of Transportation (Caltrans).

SCRRA is a separate entity apart from any Member Agency, each of which has an independent board. The Member Agencies and other public entities provide transportation within the counties serviced by SCRRA. SCRRA is not considered a component unit of any other reporting entity.

SCRRA's purpose is to plan, design, construct, and administer the operation of regional commuter rail lines serving Los Angeles, Orange, Riverside, San Bernardino and Ventura counties. SCRRA named the regional commuter rail system "Metrolink." The first three lines (San Bernardino, Santa Clarita, and Ventura) started operation in October 1992. The Riverside Line was added in June 1993, and the Orange County Line that extends 19 miles into northern San Diego County was added in April 1994. The sixth line, Inland Empire - Orange County, the nation's first suburb-to-suburb commuter rail line, was added in October 1995. In May 2002, the 91 Line was added to provide an alternative to Inland Empire and western

Orange County commuters traveling through Fullerton and into Los Angeles. During 2006/07, Metrolink carried its hundred-millionth passenger and opened its 55th station, maintaining its place as one of the fastest growing commuter rail systems in the nation.

In June 2016, the 91 Line was extended to Perris Valley to provide service to an additional section of the Inland Empire. In December 2017, the new San Bernardino Downtown station was added to increase regional mobility. In May 2018, the new Burbank Airport-North station (Antelope Valley Line) was opened which expanded Metrolink's train-to-plane connectivity by providing additional daily access directly to the Hollywood Burbank airport.

Metrolink continues to connect the Southern California region, providing access to jobs and new housing opportunities, while providing significant benefits to improving the efficiency of the transportation system and improving air quality. SCRRA continues its role as the leader in safety and technology among commuter rail systems in the United States. Metrolink was the first passenger railroad in the nation to complete implementation of Positive Train Control (PTC) technology and submission for federal certification. Metrolink launched mobile ticketing in 2016 and modified its fare system to increase ridership. Also, Metrolink began replacing its aging locomotive fleet with emission-reducing Tier 4 locomotives. As of February 2022, Metrolink was the first rail agency in the nation to power the full fleet of locomotives with 100% renewable diesel. This alternative fuel is petroleum free and made from natural fats and vegetable oils. It burns much cleaner and reduces criterial pollutants and greenhouse gas emissions. Our annual consumption of 8 million gallons per year is the equivalent air quality benefit of removing 14,000 cars from the road. It's also an economic benefit to the agency as we can achieve a 20% decrease in fuel pricing compared to standard diesel which saves approximately $6 million per year.

The Metrolink commuter rail system's six-county service area encompasses approximately 2,300 square miles, with a population of over 20 million, and provides service over 546 route miles. Metrolink trains travel over 2.8 million miles each year, and 59% of Metrolink riders travel across county lines. Most notably, Metrolink takes cars off the freeways. 73% of Metrolink riders have an automobile but choose to take the train, thereby helping to reduce congestion on the region's freeways and improve air quality.

Economic Condition and Outlook

SCRRA receives approximately 17% of its operational funding from fares and other operating revenues. The balance of its funding comes from its Member Agencies. Most sources for transportation funds in these counties are local sales taxes (except for Ventura County).

As an essential business, SCRRA has continued to run during the worldwide pandemic but has been greatly impacted by the decline in ridership. As of June 2023, Metrolink has recovered nearly 42% of its ridership from pre-pandemic levels. To see how significantly our ridership has changed, Metrolink conducted a ridership survey in April 2022 to provide further insight into demographics and ridership behaviors of Metrolink riders. Based on this survey, we have seen a significant change in ridership demographics and travel characteristics, fueled by the loss of the traditional commuters. The demographic changes reflect changes in travel on Metrolink. Pre-pandemic, 80% of Metrolink trips were commute trips. That figure has declined to just over half (52%) of total ridership. At the same time, the percentage of non-commute trips has more than doubled, from 20% pre-pandemic to currently 48%.

Traditional Commuters continue to make up the majority of Metrolink's riders. A Traditional Commuter is a person who travels four or more days per week, primarily using Monthly and Seven-Day Passes, which account for 33% of total fare revenue. Traditional Commuters continue to represent Metrolink's largest ridership segment with 32% of total ridership; however, this is down from a pre-pandemic share of 70%.

Hybrid work schedules have given rise to the Flex Commuter segment, which accounts for 12% of total Metrolink ridership. These riders travel 1-3 days per week and are searching for differing ticket offerings rather than the traditional monthly pass. With hybrid work having become the "new normal", fare options that maximize flexibility, such as the 5-Day and 10-Day Flex Passes, will be key to attracting this Flex Commuter segment.

Non-commuters, who account for 48% of Metrolink ridership, reflect riders who take Metrolink for a wide range of trip purposes. Social Visitors are the most loyal of Metrolink's ridership segments. Even though many do not have a car available, they enjoy the train ride and are highly likely to recommend Metrolink to others. This is the largest and most important segment of non-commuters and accounts for 24% of total Metrolink ridership. It is the only growth segment and has seen boardings increase by 23% since 2019. Leisure riders account for 14% of total ridership, and they ride the train for the journey itself. Whether they want to experience Metrolink for the first time, take the train as part of a bicycle outing, or simply enjoy traveling by train with their children or spouse, their use of Metrolink tends to be highly discretionary with three in four riders having a car available for the trip, however, they choose to ride Metrolink.

Long-term Financial Planning

Proactive financial planning is critical for SCRRA's success as it builds for the future. SCRRA staff reviews revenue and expenditure projections to ensure financial expectations are realistic and goals are achievable. In today's economic environment, SCRRA, along with governmental agencies at all levels, continues to face challenges with respect to funding. As an agency without a direct base of significant discretionary revenues, SCRRA relies heavily on the contributions, for both operating and capital, from our funding partners and Member Agencies, each of which faces multiple priorities. Their challenges become SCRRA's challenges.

On September 1, 2022, Metrolink launched a discount program using a $4.0 million grant from Caltrans under the Low Carbon Transit Operations Program (LCTOP) for needs-based riders. For those Metrolink passengers that are eligible, they will receive a 50% discount on all Metrolink fares.

In February 2023, Metrolink was awarded $106.9 million from the Transit and Intercity Rail Program (TIRCP) for reconfiguration of the Fullerton Interlocker, 3rd track from Fullerton to Esperanza project, and additional funding for the El Monte Station and Siding Improvements projects and the Simi Valley Double Track Project. These projects build upon Metrolink's previous TIRCP awards for Metrolink's Southern California Optimized Rail Expansion (SCORE) grant awarded in 2018. SCORE is a capital improvement program to update regional rail infrastructure, enabling bi-directional passenger service every 30 minutes daily. In addition to increasing capacity, these initiatives will modernize rail signaling, grade crossing, and will provide for safety improvements.

Metrolink, in fiscal 2023, acquired $7.6 million from the FRA to provide supplemental funding to the 2019 Consolidated Rail Infrastructure and Safety Improvements (CRISI) award for the Burbank Corridor Speed and Safety Improvements project, which involves safety improvements at the Burbank Airport South and Burbank Downtown Stations.

Major Initiatives

In partnership with the San Bernardino County Transportation Authority (SBCTA), the new Arrow service launched on October 24, 2022, providing service from San Bernardino to Redlands for nine miles, including four new stations. New Arrow trains operate between the new Redlands-University Station and Metrolink's previously existing San Bernardino-Downtown Station, with daily connections to and from Metrolink's San Bernardino and Inland Empire-Orange County Lines. Starting on February 1, 2023, and running through April 2, 2023, Metrolink offered a $1 fare promotion for the new Arrow service. The promotion was applied to round-trip tickets between any two of the five Arrow stations.

In October 2022, Metrolink celebrated its 30th anniversary with a 30% fare discount on monthly passes during October, November, and December. The promotion primarily benefited regular Metrolink riders and increased monthly pass purchases by 37%.

In May 2023, staff applied for a $4 million LCTOP grant and is expecting notification of award. Upon grant funding notification, Metrolink will launch a new student pass pilot program, named the Student Adventure Pass, to enable all enrolled students to ride Metrolink for free. The program requires K-12, Trade School, Community College, and University students to "purchase" zero fare tickets on the Metrolink mobile app or ticket machines and conductors visually validate their current student ID upon fare inspection. The cost of the ticket is fully subsidized through the LCTOP grant. Offering a free student pass provides many benefits to Metrolink including increased ridership, future customer loyalty, and encourages collaborative partnerships with educational institutions.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Southern California Regional Rail Authority for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2022. SCRRA published a readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements. The Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe our current ACFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

The ACFR is a collaborative effort by SCRRA staff and its independent auditors. We wish to acknowledge the willingness to expend the effort necessary to ensure the financial information contained herein reflects the highest professional standards. Special thanks are extended to the SCRRA Finance Department, in particular: Senior Managers of Finance Alex Barber and Vivien Avella, Senior Accountants Nancy Perez and Emily Truong, Senior Finance Analyst Edison Abrenica, Accountant II Diana Gregana, Finance Analyst II Rupa Parameswaran, and Accountant I Anthony San Angelo, who are to be commended for their high level of performance. Special thanks also to our Internal and External Auditors, Executive Management, and staff for their assistance and continued support. Their commitment and support are vital for the completion of the ACFR in a timely manner.

Special appreciation is extended to the Metrolink Board of Directors for their leadership in providing a vision that will ensure SCRRA is prepared for the challenges and opportunities of the future.

Respectfully,

Darren Kettle	Arnold Hackett
Chief Executive Officer	Chief Financial Officer

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METROLINK REGIONAL RAIL SYSTEM
VENTURA CO.
LOS ANGELES CO.
SAN BERNARDINO CO.
RIVERSIDE CO.
ORANGE CO.
SAN DIEGO CO.
PACIFIC OCEAN
Lancaster
Palmdale
Vincent Grade/Acton
Vista Canyon
Future Station
Via Princessa
Santa Clarita
Newhall
Sylmar/ San Fernando
Sun Valley
Burbank Airport - North (AV Line)
Burbank - Downtown
Glendale
L.A. Union Station
Ventura - Downtown / Beach
Ventura - East
Oxnard
Camarillo
Moorpark
Simi Valley
Chatsworth
Northridge
Van Nuys
BUR
Burbank Airport - South (VC Line)
North Hollywood
Wilshire/Western
7th/Metro
Santa Monica
LAX
Redondo Beach
Long Beach
APU/Citrus College
Cal State L.A.
El Monte
Baldwin Park
Covina
Pomona - North
Claremont
Montclair
Upland
Rancho Cucamonga
Fontana
Rialto
San Bernardino - Depot
San Bernardino - Downtown
San Bernardino – Tippecanoe
Redlands – Esri
Redlands – Downtown
Redlands - University
Arrow
Atlantic
Montebello/ Commerce
Industry
Pomona - Downtown
ONT
Ontario - East
Jurupa Valley/ Pedley
Riverside- Hunter Park / UCR
Riverside- Downtown
Moreno Valley / March Field
Riverside- La Sierra
Perris - Downtown
Perris - South
Commerce
Norwalk
Norwalk/Santa Fe Springs
Buena Park
Fullerton
Placentia
Future Station
Corona - West
Corona - North Main
Anaheim Canyon
Anaheim
Orange
Santa Ana
Tustin
Irvine
Laguna Niguel/ Mission Viejo
SNA
San Juan Capistrano
San Clemente
San Clemente Pier
Limited Service
Oceanside
Solana Beach
San Diego
Escondido
Antelope Valley Line
Inland Empire-Orange County Line
Orange County Line
Riverside Line
San Bernardino Line
Ventura County Line
91/Perris Valley Line
Future Station
Arrow Service
Station Served by Multiple Lines
Amtrak Pacific Surfliner
Metro Rail/Metro Bus
LAX FlyAway Bus
ONT Connect Shuttle
Coaster
Oceanside to San Diego
Sprinter
Oceanside to Escondido
METROLINK
metrolinktrains.com
N
MAP NOT TO SCALE
Updated April 2023 subject to change

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
BOARD OF DIRECTORS

As of June 30, 2023

MEMBERS	ALTERNATES
San Bernardino County Transportation Authority (SBCTA)	
Larry McCallon (*Chair*) Mayor City of Highland SBCTA Board	Javier "John" Dutrey* Mayor City of Montclair SBCTA Board
Alan D. Wapner Council Member City of Ontario SBCTA Board	Ray Marquez* Council Member City of Chino Hills SBCTA Board
Orange County Transportation Authority (OCTA)	
Doug Chaffee (*Vice-Chair)* Supervisor, 4th District County of Orange OCTA Board	Mark Murphy* Citizen Representative OCTA Board
Tam Nguyen* Public Member OCTA Board	Vacant
Riverside County Transportation Commission (RCTC)	
Brian Berkson (2nd Vice-Chair) Council Member City of Jurupa Valley RCTC Board	Lisa Middleton* Council Member City of Palm Springs RCTC Board
Karen Spiegel Supervisor, 2nd District County of Riverside RCTC Board	Michael Vargas* Mayor City of Perris RCTC Board

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
BOARD OF DIRECTORS

As of June 30, 2023

MEMBERS	ALTERNATES

Ventura County Transportation Commission (VCTC)

Tony Trembley Vice Mayor City of Camarillo VCTC Board	Daniel Chavez, Jr.* Citizen Representative VCTC Board

Los Angeles County Metropolitan Transportation Authority (Metro)

Ara Najarian Council Member City of Glendale Metro Board	Walter Allen III* Mayor City of Covina Metro Appointee
Kathryn Barger Supervisor, 5th District County of Los Angeles Metro Board	Pam O’Connor* Metro Appointee
Paul Krekorian Council Member, 2nd District City of Los Angeles Metro Board	Victor Preciado Council Member City of Pomona Metro Appointee
Hilda Solis Supervisor, 1st District County of Los Angeles Metro Board	Lauren Hughes-Leslie Metro Appointee

Ex-Officio Members

San Diego Association of Governments (SANDAG):

Priya Bhat-Patel Deputy Mayor City of Carlsbad	Esther Sanchez Mayor Oceanside

Southern California Association of Governments (SCAG):

Art Brown Mayor City of Buena Park	Vacant

State of California:

Gloria Roberts District Director Caltrans District 7	Paul Marquez* Deputy District Director for Planning, Caltrans District 7

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
MANAGEMENT TEAM

As of June 30, 2023

EXECUTIVE LEADERSHIP TEAM

Chief Executive Officer	Darren Kettle
Chief of Staff	Noelia Rodriguez
Chief Safety, Security, & Compliance Officer	Frank Castellon-Elliott
Chief Financial Officer	Arnold Hackett
Chief Operating Officer	Don Filippi
Chief Program Delivery	Justin Fornelli
Chief Strategy Officer	Paul Hubler
Chief Customer Experience Officer	Lisa Bahr
Chief Technology Officer	Elisa Cunningham
Chief People Officer	Ilyssa DeCasperis

LEGAL COUNSEL

General Counsel	Don Del Rio
Associate General Counsel	Geoffrey Forgione
Senior Counsel, Risk Manager	Raymond Barrera

INTERNAL AUDIT

Senior Manager, Audit	Elisabeth Lazuardi

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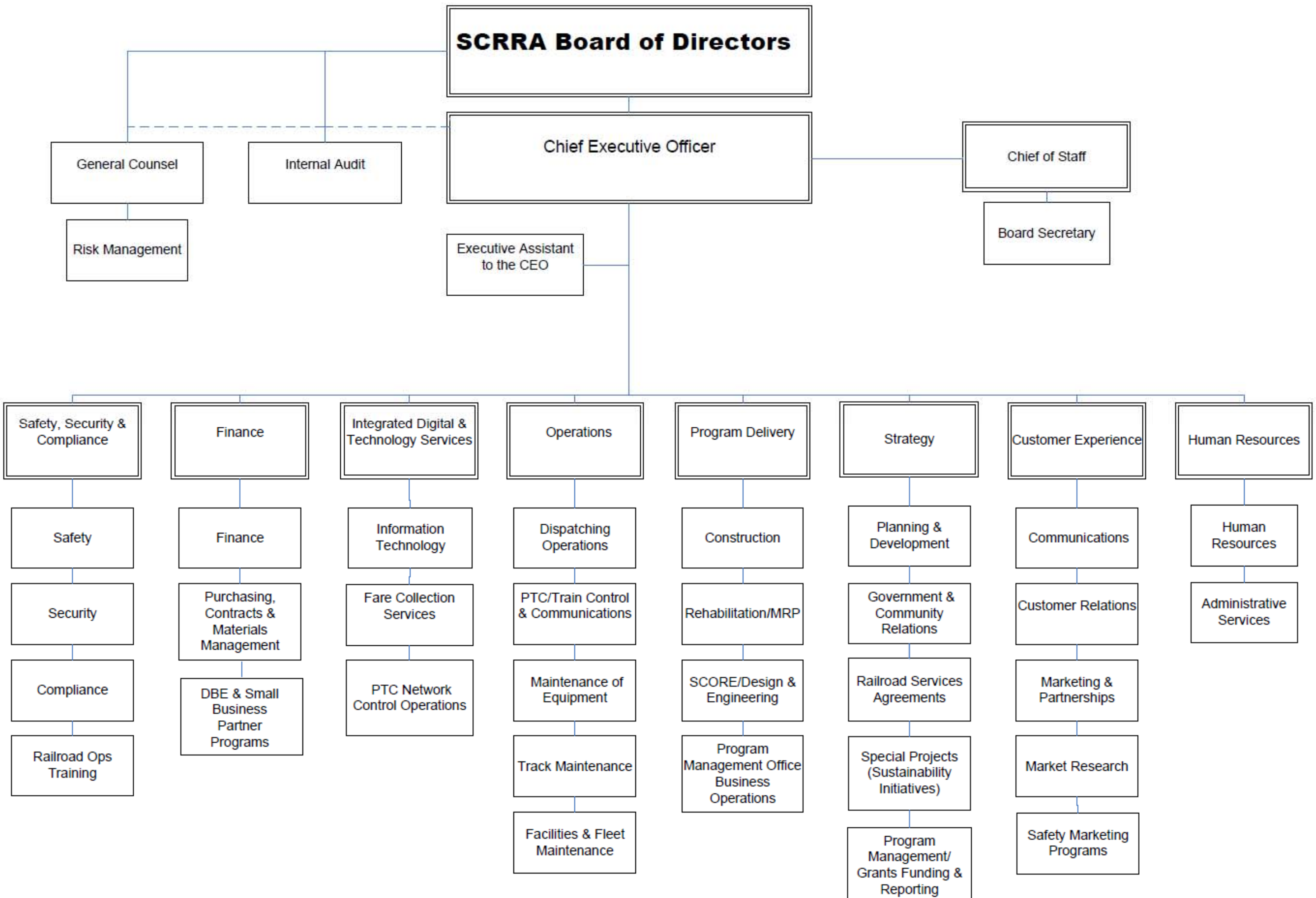
Southern California Regional Rail Authority
Organizational Chart



As of June 2023

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Southern California Regional Rail Authority

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

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MISSION STATEMENT

Our mission is to provide safe, efficient, dependable, and on-time transportation service that offers outstanding customer experience and enhances quality of life.

Our Vision Statement

Our vision is to be Southern California's preferred transportation system built upon safety, reliability, customer service, leading-edge technology, and seamless connectivity.

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FINANCIAL

METROLINK

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Independent Auditor's Report

Board of Directors
Southern California Regional Rail Authority
Los Angeles, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Southern California Regional Rail Authority (SCRRA) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise SCRRA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SCRRA, as of June 30, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 SCRRA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Standard

As discussed in Notes 1 and 14 to the financial statements, SCRRA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the years ended June 30, 2023 and 2022. Accordingly, a restatement has been made to the net position as of July 1, 2021, to restate beginning net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCRRA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCRRA'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 of America require that the management's discussion and analysis, the Metrolink Railroad Network (GASB 34), schedule of changes in net pension liability and related ratios, schedule of pension contributions, schedules of changes in net OPEB liability and related ratios, and schedule of OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCRRA's basic financial statements. The schedule of unearned revenue and advances on capital purchases is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of unearned revenue and advances on capital purchases is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023, on our consideration of SCRRA'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 SCRRA'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 SCRRA's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 21, 2023

INTRODUCTION

The following discussion and analysis of the financial performance and activity of Southern California Regional Rail Authority (SCRRA) is offered to the reader to provide an introduction to and understanding of the basic financial statements of SCRRA for the years ended June 30, 2023 and 2022. This Management's Discussion and Analysis (MD&A) is presented in conjunction with the letter of transmittal, the basic financial statements, required supplementary information, and statistical information.

The basic financial statements include (1) the Balance Sheets, (2) the Statements of Revenues, Expenses and Changes in Net Position, (3) the Statements of Cash Flows, and (4) Notes to the Basic Financial Statements. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board (GASB).

The Balance Sheets provide information about the nature and amounts of investments in assets, liabilities, and deferred outflows and inflows of resources of SCRRA, with the residual of these elements being reported as net position.

The Statements of Revenues, Expenses and Changes in Net Position provide information about SCRRA's changes in net position and account for the current year's revenues and expenses. The statements present SCRRA's operations during the period, which can be used to determine how the agency funded its costs.

The Statements of Cash Flows provide information about SCRRA's cash receipts, disbursements, and net changes in cash resulting from operating, financing, and investing activities.

The notes to the basic financial statements provide information that is essential to understanding the financial statements, such as SCRRA's accounting methods and policies, details of cash and investments, employee benefits, lease transactions, and future commitments and contingencies of the Authority and information about other events or developing situations that could materially affect SCRRA's financial position.

The required supplementary information provides details concerning SCRRA's infrastructure assets and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

The supplementary information provides additional detail about unearned revenue and advances on capital purchases by Member Agencies.

FINANCIAL REPORTING ENTITY

SCRRA is an independent entity created in August 1991 through a joint exercise of powers agreement (JPA). SCRRA began operating the "Metrolink" regional commuter rail system in October 1992. As part of the JPA, the Member Agencies (Los Angeles County Metropolitan Transportation Authority [LACMTA], Orange County Transportation Authority [OCTA], Riverside County Transportation Commission [RCTC], San Bernardino County Transportation Authority [SBCTA], and Ventura County Transportation Commission [VCTC]) acquired the rail network in existence at the time the JPA was established for use in Metrolink's commuter rail operations. This initial railroad network is not included in SCRRA's railroad network capital assets as the Member Agencies retain title and ownership of those assets. As part of the JPA, however, SCRRA is responsible for related maintenance and operation of members' assets and rail right-of-way used in its operations.

In addition, certain members retain responsibility to maintain segments of their railroad network. Metrolink's railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects. Currently there are 538 route miles with 62 stations in the Metrolink system throughout Los Angeles, Orange, Riverside, San Bernardino, Ventura, and San Diego counties. On October 24, 2022, the new Arrow service launched in San Bernardino, with 9 miles of track and 4 new stations.

The governing body of SCRRA is a Board of Directors comprised of 11 members appointed by the voting members of the JPA. The Member Agencies with their respective number of votes are as follows:

Los Angeles County Metropolitan Transportation Authority (LACMTA)	4
Orange County Transportation Authority (OCTA)	2
Riverside County Transportation Commission (RCTC)	2
San Bernardino County Transportation Authority (SBCTA)	2
Ventura County Transportation Commission (VCTC)	1

SCRRA is not considered to be a component unit of any other reporting entity.

CONDENSED FINANCIAL INFORMATION

The following sections discuss the significant changes in SCRRA's financial position for the fiscal years ended June 30, 2023 and June 30, 2022. An analysis of major economic factors and industry trends that have contributed to these changes is provided. For purposes of the MD&A, summaries of the financial statements and various exhibits presented are in conformance with SCRRA's financial statements. For more information regarding SCRRA's capital assets, please refer to Note 4 of the Notes to Basic Financial Statements.

	2023		2022		2021	
Current assets	$ 200,879	12%	$ 181,358	11%	$ 197,409	11%
Capital assets, net	1,376,643	83%	1,410,241	84%	1,407,347	81%
Other noncurrent assets	62,747	4%	81,627	5%	117,067	7%
Total assets	1,640,269		1,673,226		1,721,823	
Deferred outflows of resources	16,222	1%	8,854	1%	8,803	1%
Total assets and deferred outflows of resources	$ 1,656,491	100%	$ 1,682,080	100%	$ 1,730,626	100%

The following is more detailed information about SCRRA's capital assets:

ASSET TYPE	2023		2022		2021	
Land, easements, and infrastructure assets	$ 676,117	49%	$ 676,117	48%	$ 676,117	47%
Construction in progress	15,254	1%	42,173	3%	124,165	9%
Total non-depreciable capital assets	691,371	50%	718,290	51%	800,282	57%
Rolling stock, net	458,464	33%	461,385	33%	371,536	25%
Building and improvements, net	70,930	5%	77,914	5%	68,795	5%
Positive train control, net	11,936	1%	16,223	1%	20,508	1%
Infrastructure assets	105,860	8%	98,270	7%	105,259	7%
Other, net	38,082	3%	38,159	3%	40,967	3%
Total depreciable capital assets, net	685,272	50%	691,951	48%	607,065	43%
Total capital assets, net	$ 1,376,643	100%	$ 1,410,241	100%	$ 1,407,347	100%

Fiscal Year 2023 Compared to 2022. At June 30, 2023, net capital assets totaled $1,376.6 million and were $33.6 million or 2.4% less than the prior year. This decrease was primarily related to $26.9 million in lower construction in progress (CIP) as completed projects were placed in service and depreciated for the first time. A total of $19 million was added to rolling stock in FY23 offset by $22 million in depreciation. The increase in infrastructure assets was primarily due to the addition of antennas and signals.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, net capital assets totaled $1,410.2 million and were $2.8 million or .2% higher than the prior year. This increase was primarily due to $82.0 million lower construction in progress (CIP) offset by $89.8 million net impact of a higher depreciable asset base. The decrease in CIP and offsetting addition to the rolling stock base can be attributed to final acceptance of 34 Tier 4 locomotives that were placed in service in FY22.

TOTAL LIABILITIES DISTINGUISHED BETWEEN CURRENT AND NON-CURRENT LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES (in thousands)

	2023		2022		2021	
Current liabilities	$ 195,275	76%	$ 203,769	80%	$ 253,744	81%
Noncurrent liabilities	55,522	22%	37,157	15%	52,798	17%
Total liabilities	250,797		240,926		306,542	
Deferred inflows of resources	4,742	2%	14,825	5%	6,078	2%
Total liabilities and deferred inflows of resources	$ 255,539	100%	$ 255,751	100%	$ 312,620	100%

The following is more detailed information about liabilities and deferred inflows of resources by type:

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES BY TYPE (in thousands)	2023		2022		2021	
Accounts payable and accrued liabilities	$ 88,042	34%	$ 92,849	36%	$ 75,470	24%
Advances for construction and retention payable	28,121	11%	16,670	7%	14,140	5%
Unearned revenue	71,913	28%	85,508	33%	158,290	51%
Other current liabilities	939	1%	379	1%	1,141	0%
Compensated absences	5,841	2%	5,543	2%	5,520	2%
Net pension liability	20,946	8%	6,253	2%	15,841	5%
Lease liability	13,665	5%	18,015	7%	15,620	0%
Other postemployment benefits liability	11,156	4%	8,291	3%	13,650	4%
Claims and judgments payable	10,174	4%	7,418	3%	6,870	2%
Total liabilities	250,797		240,926		306,542	
Deferred inflows of resources	4,742	2%	14,825	6%	6,078	2%
Total liabilities and deferred inflows of resources	$ 255,539	100%	$ 255,751	100%	$ 312,620	95%

Fiscal Year 2023 Compared to 2022. At June 30, 2023, total liabilities and deferred inflows of resources equaled $255.5 million and were $0.2 million or 0.1% lower than the prior year. Primary drivers of liability increases were increased pension and OPEB expenses driven by poor capital markets performance on associated retirement asset portfolios, increases in advanced deposits resulting from higher volumes of third-party construction projects, and increases in claims payable due to anticipated legal settlements. Offsetting decreases were related to amortization of leases and subscription liabilities, paydown of accounts payables associated with typical working capital cycle fluctuations, and overall reduction in unearned revenues related primarily to the use of CARES reimbursement funding in 2023.

Fiscal Year 2022 Compared to 2021. At June 30, 2022, total liabilities and deferred inflows of resources equaled $255.8 million and were $56.9 million or 18.2% lower than the prior year. This decrease was primarily due to a decrease in unearned revenue of $72.8 million related to the use of CARES reimbursement funding in FY22. Lower net pension and other postemployment benefits liability as a result of strong capital markets returns affecting underlying asset portfolios also decreased liabilities and deferred inflows. These decreases were partially offset by higher accounts payable and accrued liabilities due to increased train operation activities and higher advances for construction and retention payable associated with increased maintenance, safety, operations and rehabilitation projects with other agencies.

TOTAL NET POSITION DISTINGUISHED BETWEEN AMOUNTS INVESTED IN CAPITAL AND UNRESTRICTED (in thousands)

	2023		2022		2021	
Net investment in capital assets	$ 1,358,870	97%	$ 1,389,038	97%	$ 1,385,209	98%
Unrestricted	42,082	3%	37,291	3%	26,279	2%
Total net position	$ 1,400,952	100%	$ 1,426,329	100%	$ 1,411,488	100%

Total net position in FY23 decreased by $25.4 million, or 1.8% from the prior year primarily due to depreciation of assets outpacing the placement of assets in service due to the first full year of depreciation on 34 Tier 4 locomotives placed in service in FY22. The increase in total net position from FY21 to FY22 of $14.8 million is primarily driven by the same Tier 4 locomotives in FY22.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION (in thousands)

	2023	2022	2021
Operating revenues and expenses:			
Operating revenues	$ 68,500	$ 66,160	$ 48,393
Operating expenses	434,714	397,915	351,923
Operating loss	(366,214)	(331,755)	(303,530)
Non-operating revenues and expenses:			
Subsidies and grants	209,052	212,094	94,596
Net (loss) gain in fair value of investments	343	(948)	(181)
Interest income	955	30	25
Interest expense	(737)	(946)	(6)
Net gain (loss) on disposal of capital assets	(847)	36	(10,003)
Total non-operating revenues, net	208,766	210,266	84,431
Loss before capital grants and subsidies	(157,448)	(121,489)	(219,099)
Capital grants and subsidies	132,071	136,330	213,858
Change in net position	(25,377)	14,841	(5,241)
Net position, beginning of year, as restated	1,426,329	1,411,488	1,416,729
Net position, end of year	$ 1,400,952	$ 1,426,329	$ 1,411,488

The following information is about revenues and expenses by major source:

REVENUES AND EXPENSES BY MAJOR SOURCE (in thousands)

	2023	2022	2021
Revenues:			
Fares	$ 34,309	$ 28,136	$ 16,224
Other operating revenues	34,191	38,024	32,169
Grants and subsidies	341,123	348,424	308,451
Other non-operating revenues	955	30	25
Total revenues	$ 410,578	$ 414,614	$ 356,869
Expenses:			
Train operations	$ 203,880	$ 173,074	$ 178,193
Maintenance-of-way	55,623	54,295	44,411
Rehabilitation and renovation - capital	92,022	84,666	49,900
Other operating expenses	83,189	85,880	79,419
Non-operating expenses	1,241	1,858	10,178
Total expenses	$ 435,955	$ 399,773	$ 362,101

Fiscal Year 2023 Compared to 2022: At June 30, 2023, revenues totaled $410.6 million and were $4.0 million or 1.0% lower than the prior year. This decrease was primarily due to lower MOW and capital grants/subsidies of $6.8 million, and lower other operating revenues of $3.8 million related to lower billed revenues for operations and rehabilitation services performed for third parties (TPAs). These decreases were offset by higher fare revenues of $6.2 million and increased interest income of $0.9 million due to higher interest rates.

Expenses totaled $435.9 million and were $36.1 million or 9.1% higher than the prior year. This increase was due primarily to $30.8 million of increased train operations costs due to increases in service levels in the post-pandemic period. Additional increases of $1.3 million in higher maintenance of way expenses and $7.4 million in rehabilitation expenses added to the overall increase. These figures include the impact of higher associated payroll and fringe benefit expenses and general inflationary increases in all three operational categories. Other operating expenses include depreciation, which increased by $6.1 million as a result of a full year of depreciation on $93 million of Tier 4 locomotives placed in service in FY22. These increases were offset by reductions in TPA expenses, reductions in claims and judgements accrued expenses, increases in the fair value of investments, and reduction of interest expense.

Fiscal Year 2022 Compared to 2021: At June 30, 2022, revenues totaled $414.6 million and were $57.7 million or 16.2% higher than the prior year. This increase was primarily due to $40.0 million in higher grants/subsidies, $11.9 million higher fare revenues from operations, and $5.9 million higher other operating revenues derived from operations and rehabilitation services that SCRRA TPA projects. Fare revenue significantly increased by $11.9 million, or 73.4% from the prior year as more employees returned to offices and businesses started to return to normal operations after two years of economic downturn as a result of the pandemic.

Expenses totaled $399.8 million and were $37.7 million or 10.4% higher than the prior year. This increase was due primarily to $34.8 million higher capital and rehabilitation expenses, $9.9 million higher maintenance of way expenses, and $9.3 million of other operating expenses. These increases were offset by lower train operations expenses due to reductions in train operating leases, reductions in other non-operating expenses related to retirement of assets, and changes in net fair value of investments.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

INFRASTRUCTURE ASSETS – MODIFIED APPROACH

SCRRA elected to use the modified approach in reporting its railroad network (track, tunnel and bridge structures, and signals and communications). Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. The first requirement is that the infrastructure assets are managed through a qualified asset management system. The second requirement is that the infrastructure be maintained at (or above) a government-established condition level.

As promulgated by the Governmental Accounting Standards Board, a full condition assessment must be performed on all infrastructure assets every three years in accordance with Generally Accepted Accounting Principles. SCRRA has elected to create a Metrolink Rehabilitation Plan (MRP), which thoroughly assesses the condition of SCRRA's key infrastructure assets to confirm that they are at a State of Good Repair (SGR). The modified approach is disclosed in more detail in the accompanying basic financial statements and required supplementary information.

Management seeks to maintain infrastructure above the minimum required level approved by the Board and above minimum standards required by the Federal Railroad Administration. In FY 2023, SCRRA estimated the amount needed to maintain or preserve the infrastructure asset to be $106.5 million. Actual expenses were $64.7 million. In FY 2022, SCRRA estimated the amount needed to maintain or preserve the infrastructure asset to be $99.0 million. Actual expenses were $97.0 million. See Required Supplementary Information, Note 1 for more information.

LONG-TERM OBLIGATIONS

As of June 2023, SCRRA carried no outstanding bonds or funded debt. Long-term obligations are primarily related to lease liabilities as well as defined benefit pension plans and retiree medical benefits (OPEB). Recent implementation of accounting pronouncements, including GASB 87 in FY22 and GASB 96 in FY23 resulted in the recognition of lease assets and liabilities on SCRRA's balance sheet and restatement of prior year financials. FY23 reflects the amortization of GASB 87 leases, as no new leases were added during the fiscal year.

Increases in pension and OPEB liabilities contributed significantly to the overall increase in long-term liabilities. These increases were due to volatile capital markets activity in FY23, which negatively impacted valuation of underlying plan assets. As of the most recent actuarial valuation date of June 30, 2022, SCRRA maintained a funded ratio of 78.8% in its California Public Employees' Retirement System defined benefit pension plan. Other changes in long-term liabilities in FY23 related to increases in claims and judgements due to on-going legal matters, as well as a small increase in compensated employee absences.

LONG TERM LIABILITIES AS OF JUNE 30, 2023 (in thousands)

	As restated 6/30/2022	Change	June 30, 2023
Claims and judgments	$ 5,618	$ 1,556	$ 7,174
Compensated balances	3,344	200	3,544
Lease liability (GASB 87)	13,651	(959)	12,692
SBITA liability (GASB 96)	-	10	10
Net pension liability	6,253	14,693	20,946
Other postemployment benefits (OPEB)	8,291	2,865	11,156
Total	$ 37,157	$ 18,365	$ 55,522

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND IMPORTANT ECONOMIC CONDITIONS

The FY 2023 Adopted Operating Budget included $296.3 million in appropriations, or an increase of 15.8% from the prior year. The budget reflected the anticipated increased costs of restoring service to pre-pandemic levels and additional inflationary assumptions on operating expenses. These increased operating expenses required a commitment to higher operating subsidy payments from Member Agencies to achieve a balanced operating budget for FY23 due to challenges in recovering ridership revenues to pre-pandemic levels.

Throughout FY23, SCRRA continued to experience lower ridership versus historic pre-pandemic levels, although Metrolink's fare revenue increased by approximately 22% compared with prior year. During FY23, ridership recovered approximately 44% compared with pre-pandemic levels. Ridership was challenged as office workers continued to work remotely and commonly return to work on hybrid schedules versus the traditional five day per work week commuter schedule. Office occupancy rates in the Los Angeles-Orange County Metropolitan Area were in range of 42% in FY2023.

As a result, Metrolink's actual fare revenue fell short of budgeted expectations. Actual operating costs increased primarily due to increased post-pandemic service levels, higher depreciation expenses, special one-time rehabilitation projects, higher accrued pension expenses, and inflationary pressures on third party services, insurance, payroll, and employee benefits.

However, despite these increases in actual expenses from FY22 levels, FY23 operating costs were significantly lower than budgeted due to savings from operating at less than anticipated service levels versus budget along with other implemented cost avoidance measures. This resulted in a shared Member Agency operating surplus versus FY23 Adopted Operating Budget of approximately $17.9 million in spite of continued ridership level challenges.

The FY23 Adopted Capital Program Budget included $94.4 million of new spending authority and $263.7 million of carried over projects from prior years. New Capital component projects totaled $207.9 million, of which $114.6 million relates to new spending authority and the remainder of $93.3 million relates to carryforward projects.

SCRRA is responsible for ensuring the overall safety and dependable performance of its railroad network asset, the right-of-way, and everything that travels upon it. Projects are selected based on the principle of maintaining infrastructure assets in a state of good repair to maximize safety by minimizing and managing risks associated with network system failure.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

FY 2024 ADOPTED BUDGET

Metrolink continues to confront challenges to ridership levels and has experienced significant changes in its ridership profile. Most significantly, non-commuter trips now represent approximately 50% of pre-pandemic ridership levels as compared to a 20% share pre-pandemic. Metrolink's FY24 Adopted Operating Budget is reflective of initiatives that will assist the Agency in transitioning from primarily commuter driven to a more diverse regional transportation option.

The Adopted FY24 Budget provides funding to achieve the following goals of Continued emphasis on safe operations, Intraoperative Positive Train Control (PTC) updates and maintenance, Grant funded efforts to reduce the number of trespasser injuries (GPS/Cameras), Investment in existing and new assets to maintain a State of Good Repair (SGR) Funding, Funding for studies to improve maintenance efficacy and efficiency, Increase of ridership and revenue assistance for low-income riders, Ridership programs designed to attract and provide assistance for student riders, Programs to generate ridership for entertainment, day trips, and shopping, and External study of fare structure designed to better meet rider needs and attract new riders.

Operating appropriations adopted in June of 2023 by SCRRA's Board total $303.4 million and reflect an increase of $7.1 million or 2.4% higher than the FY23 Adopted Operating Budget. The Budget assumes service at 85% of pre-pandemic levels to match current service levels.

The Capital Program State of Good Repair FY24 Budget is $129.8 million, which was identified as the necessary investment to maintain assets in a state of good repair. New Capital authorized was $20.3 million, the amount identified as necessary for safe and efficient rail operations.

On November 8, 2016, Los Angeles County voters approved Measure M, a half-cent transportation sales tax measure placed on the ballot by the Los Angeles County Metropolitan Transportation Authority (Metro) Board of Directors. This measure calls for a sustained funding approach for a variety of transit and highway projects, roadway improvements, pedestrian and bike paths, paratransit services for the disabled, and affordable fares for seniors. The passage of Measure M will provide billions of dollars for commuter rail and transit operations, and projects to keep buses, trains, and facilities in good repair. Metrolink will receive up to 2% of this half-cent sales tax over the life of the measure.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of SCRRA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Southern California Regional Rail Authority, 900 Wilshire Boulevard Suite 1500, Los Angeles, CA 90017.

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SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Balance Sheets

June 30, 2023 and 2022

(Dollar Amounts in Thousands)

	2023	2022
Assets and deferred outflows of resources:		
Current assets:		
Cash and investments	$ 64,740	$ 59,582
Fuel hedge and other assets	12,995	13,766
Due from other agencies, net of allowance for uncollectible accounts of $442 and $145, respectively	102,675	87,671
Prepaid expenses	465	506
Trade and other receivables, net of allowance for uncollectible accounts of $11 and $12, respectively	3,953	3,097
Inventory	16,051	16,736
Total current assets	200,879	181,358
Noncurrent assets:		
Restricted cash and investments	62,747	81,627
Capital assets:		
Non-depreciable	691,371	718,290
Depreciable, net of accumulated depreciation of $602,944 and $557,205, respectively	685,272	691,951
Total noncurrent assets	1,439,390	1,491,868
Total assets	1,640,269	1,673,226
Deferred outflows on fuel hedge	77	-
Deferred outflows from pension	12,479	6,188
Deferred outflows from OPEB	3,666	2,666
Total deferred outflows of resources	16,222	8,854
Total assets and deferred outflows of resources	$ 1,656,491	$ 1,682,080
Liabilities, deferred inflows of resources and net position:		
Current liabilities:		
Accounts payable and accrued liabilities	$ 88,042	$ 92,849
Advances for construction	24,013	13,482
Retention payable	4,108	3,188
Unearned revenue and advances on capital purchases	71,913	85,508
Other current liabilities	939	379
Compensated absences	2,297	2,199
Claims and judgments payable	3,000	1,800
Subscription liability	4	3,345
Lease liability	959	1,019
Total current liabilities	195,275	203,769
Noncurrent liabilities:		
Compensated absences	3,544	3,344
Claims and judgments payable	7,174	5,618
Subscription liability	10	-
Lease liability	12,692	13,651
Net other postemployment benefits liability	11,156	8,291
Net pension liability	20,946	6,253
Total noncurrent liabilities	55,522	37,157
Total liabilities	250,797	240,926
Deferred inflows from fuel hedge	-	257
Deferred inflows from pension	1,229	8,328
Deferred inflows from OPEB	3,513	6,240
Total deferred inflows of resources	4,742	14,825
Net position:		
Net investment in capital assets	1,358,870	1,389,038
Unrestricted	42,082	37,291
Total net position	1,400,952	1,426,329
Total liabilities, deferred inflows of resources and net position	$ 1,656,491	$ 1,682,080

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2023 and 2022
(Dollar Amounts in Thousands)

	2023	2022
Operating revenues:		
Fares	$ 34,309	$ 28,136
Dispatching	2,245	2,155
Third-party agreements	18,167	22,934
Maintenance of way	13,402	11,512
Public liability and property damage recovery	57	980
Miscellaneous	320	443
Total operating revenues	68,500	66,160
Operating expenses:		
Train operations	203,880	173,074
Maintenance-of-way	55,623	54,295
Rehabilitation and renovation - capital	92,022	84,666
Third-party agreements	18,128	23,019
Insurance	13,635	12,857
Provision for claims, judgments and other	(2,026)	2,790
Public liability and property damage	1,562	1,739
Depreciation	51,594	45,475
Bad debt expense	296	-
Total operating expenses	434,714	397,915
Operating loss	(366,214)	(331,755)
Non-operating revenues (expenses):		
Subsidies and grants - trains and maintenance of way	189,864	195,254
Subsidies and grants - public liability and property damage	19,188	16,840
Net change in fair value of investments	343	(948)
Interest income	955	30
Interest expense	(737)	(946)
Net (loss) gain on disposal of capital assets	(847)	36
Total non-operating revenues, net	208,766	210,266
Loss before capital grants and subsidies	(157,448)	(121,489)
Capital grants and subsidies	132,071	136,330
Change in net position	(25,377)	14,841
Net position at beginning of year, as restated	1,426,329	1,411,488
Net position at end of year	$ 1,400,952	$ 1,426,329

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

(Dollar Amounts in Thousands)

	2023	2022
Cash flows from operating activities:		
Cash received from fares	$ 34,441	$ 27,939
Cash received from dispatching and maintenance of way	14,972	13,375
Cash received from third-party agreements and public liability and property damage	4,794	9,924
Cash paid to employees	(48,959)	(50,644)
Cash paid to suppliers	(310,633)	(270,219)
Cash paid to / received from miscellaneous sources	320	443
Sale / maturity of fuel hedge	771	(3,684)
Net cash used in operating activities	(304,294)	(272,866)
Cash flows from noncapital financing activities:		
Operating subsidies and grants - trains and maintenance of way	169,055	145,441
Operating subsidies and grants - public liability and property damage	19,188	16,840
Net cash provided by noncapital financing activities	188,243	162,281
Cash flows from capital and related financing activities:		
Capital grants and subsidies received	126,048	99,472
Construction and purchases of capital assets	(19,659)	(48,852)
Cash paid for lease liabilities - principal portion	(1,019)	(950)
Cash paid for lease liabilities - interest portion	(620)	(656)
Cash paid for subscription liabilities - principal portion	(3,345)	(3,173)
Cash paid for subscription liabilities - interest portion	(117)	(290)
Net cash provided by capital and related financing activities	101,288	45,551
Cash flows from investing activities:		
Net change in cash equivalents	698	(26)
Sale / maturity of investments	343	(948)
Net cash used by investing activities	1,041	(974)
Net increase (decrease) in cash and investments	(13,722)	(66,008)
Cash and investments at beginning of year	141,209	207,217
Cash and investments at end of year	$ 127,487	$ 141,209
Reconciliation to cash and investments on the Balance Sheets:		
Cash and investments	$ 64,740	$ 59,582
Restricted cash and investments	62,747	81,627
Total cash and investments on the Balance Sheet	$ 127,487	$ 141,209

See accompanying notes to basic financial statements.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statements of Cash Flows, Continued

For the years ended June 30, 2023 and 2022

(Dollar Amounts in Thousands)

	2023	2022
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (366,214)	$ (331,755)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	51,594	45,475
Bad debt	296	-
(Increase) decrease in:		
Sale / maturity of fuel hedge	774	(3,684)
Due from other agencies	(902)	2,781
Prepaid expenses	41	76
Trade and other receivables, net	(856)	(543)
Inventory	685	1,864
Increase (decrease) in:		
Accounts payable and accrued liabilities	(4,807)	17,379
Compensated absences	298	23
Advances for construction	10,532	1,405
Claims and judgments payable	2,756	551
Unearned revenue	54	2
Other post employment benefits	2,865	(5,359)
Other liabilities	1,408	(4,482)
Fuel Hedge and related changes in deferred outflows and inflows of resources	(257)	(3,003)
Net pension liability and related changes in deferred outflows and inflows of resources	(834)	2,922
Changes in deferred outflows and inflows of resources related to OPEB	(1,727)	3,482
Total adjustments	61,920	58,889
Net cash used in operating activities	$ (304,294)	$ (272,866)
Noncash investing, capital and financing activities:		
Net (loss) gain on disposal of capital assets	(847)	36
Subscription liability for the acquisition of a right to use leased asset	14	

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Southern California Regional Rail Authority (SCRRA) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. SCRRA's significant accounting policies are described below.

A. Financial Reporting Entity

In June 1990, the California Legislature enacted Senate Bill 1402, Chapter 4 of Division 12 of the Public Utilities Code. This bill required the transportation commissions of the Counties of Los Angeles, Orange, Riverside, San Bernardino, and Ventura to jointly develop a plan for regional transit services within the multi-county region. The Southern California Regional Rail Authority (SCRRA) was established on August 1, 1991 through a Joint Exercise of Powers Agreement (JPA) among the following public agencies (Member Agencies):

- Los Angeles County Metropolitan Transportation Authority (LACMTA)
- Orange County Transportation Authority (OCTA)
- Riverside County Transportation Commission (RCTC)
- San Bernardino County Transportation Authority (SBCTA)
- Ventura County Transportation Commission (VCTC)

SCRRA's independent governing Board consists of 11 members appointed by the Member Agencies, as follows:

Los Angeles County Metropolitan Transportation Authority	4
Orange County Transportation Authority	2
Riverside County Transportation Commission	2
San Bernardino County Transportation Authority	2
Ventura County Transportation Commission	1

The purpose of SCRRA is to plan, design, construct, and administer the operation of regional commuter rail lines serving the counties of Los Angeles (L.A.), Orange, Riverside, San Bernardino, Ventura, and northern San Diego. The operation of the commuter rail lines is referred to as Metrolink. Its services include the operation of seven commuter rail passenger lines, as follows:

- San Bernardino Line – running from San Bernardino to L.A. Union Station
- Antelope Valley Line – running from Lancaster to L.A. Union Station
- Ventura County, Burbank Airport/Downtown Line – running from Oxnard to L.A. Union Station
- Orange County Line – running from Oceanside to L.A. Union Station
- Inland Empire-Orange County Line – running from San Bernardino to Oceanside
- 91/Perris Valley Line – running from South Perris to L.A. Union Station via Fullerton
- Riverside Line – running from Riverside to L.A. Union Station via City of Industry

In partnership with SBCTA, Metrolink now offers a new service between the cities of San Bernardino and Redlands. The Arrow service has five train stations between the two cities and introduces brand new Diesel Multiple Unit (DMU) trains to Metrolink's cleaner-operating fleet.

- Arrow Line – running from Redlands University to downtown San Bernardino

Passenger fares, dispatching and maintenance-of-way revenues, Member Agency operating and capital subsidies, and State and federal grant programs fund the SCRRA. The Member Agencies and other public entities provide transportation within the counties served by SCRRA. SCRRA is not considered a component unit of any other reporting entity. As required by U.S. GAAP, the accompanying basic financial statements include all financial activities of SCRRA.

In accordance with GAAP, SCRRA has considered all potential organizations for which the nature and significance of their relationships with SCRRA are such that exclusion would cause SCRRA's financial statements to be misleading or incomplete. The GASB has established criteria to be considered in determining financial accountability. These criteria include appointing the majority of an organization's governing body and (1) the ability of SCRRA to impose its will on that organization or (2) the potential for that organization to provide specific benefits or impose specific financial burdens on SCRRA. Based on these criteria, there are no other organizations or agencies that should be included in these basic financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The accompanying basic financial statements of SCRRA have been prepared in conformity with GAAP as promulgated by GASB, the accepted standard setting body for establishing governmental accounting and financial reporting principles.

C. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of revenues and expenses. Actual results could differ from those estimates and assumptions.

D. Effects of New Accounting Pronouncements

SCRRA adopted the following GASB statements in the fiscal year ended June 30, 2023:

GASB Statement No. 96

In May 2020, GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99

In April 2022, GASB issued Statement No. 99 *Omnibus 2022.* The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. SCRRA has implemented the requirements of GASB 99 that are currently effective, noting no significant changes to the financial statements. SCRRA will be evaluating the remaining components of the statement and will incorporate any requirements into SCRRA's future Annual Comprehensive Financial Report.

The following issued, but not yet effective GASB statements are being reviewed by management:

GASB Statement No. 100

In June 2022, GASB issued Statement No. 100 *Accounting Changes and Error Corrections.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101

In June 2022, GASB issued Statement No. 101 *Compensated Absences.* This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Investments

Cash and investments consist of cash in demand deposit accounts and investments in the State Treasurer's Local Agency Investment Fund (LAIF), money market funds, and treasury reserves. Note 2 provides information about SCRRA's deposits and investments, interest sensitive investments, and the credit quality of the investments held at year-end. Investments are presented at fair value.

Cash and cash equivalents are considered to be cash on hand, amounts in demand deposits, and short-term investments with original maturities of three months or less from the date acquired by SCRRA.

2. Restricted Cash and Investments

Restricted cash and investments represent advanced funds received whereby constraints have been either (1) imposed by the creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

3. Due from Other Agencies and Trade Receivables

SCRRA establishes an allowance for doubtful accounts, which reflects a reasonable estimate of accounts receivable that management deems uncollectible. Using the June 30th final accounts receivable aging report, SCRRA calculates a reserve balance equal to 50% of aged receivable amounts that are over 120 days outstanding.

4. Prepaid Expenses

Payments made to vendors for expenses that will benefit future periods beyond the fiscal year end are recorded as prepaid expenses.

5. Inventory

Inventory consists of railroad operating spare parts that are recorded when purchased and expensed when used. SCRRA maintains inventory for rolling stock, track, and signal maintenance. SCRRA's inventory is valued at cost. SCRRA continues to test its inventory for obsolescence and the reserve for obsolescence for FY23 was $8.0 million and for FY22 the reserve was $6.6 million

6. Capital Assets

Capital assets reported by SCRRA include land, buildings, vehicles, rolling stock, equipment, right-of-way easements, positive train control (PTC), fare collection equipment, and the Metrolink railroad network. As part of the JPA, the Member Agencies acquired the rail network in existence at the time of the creation of the JPA for use in SCRRA's commuter rail operations. The initial railroad network is not included as part of Metrolink's railroad network. The Member Agencies retained title and ownership to those assets.

As part of the JPA, SCRRA is responsible for the related maintenance and operation of members' assets and rail right-of-way used in operations. Additionally, certain agencies retain responsibility to maintain segments of their railroad network. SCRRA's railroad network consists of capital assets created as a result of new capital construction and major capital improvement projects and are recorded in the financial statements as SCRRA infrastructure. Capital assets are defined by SCRRA as assets with an individual cost of at least $5,000 and a minimum useful life of greater than one year.

Purchased or constructed capital assets are valued at cost where records are available and at estimated fair value where no records exist. Assets donated to SCRRA are valued at acquisition value on the date received. Costs related to the acquisition of easement rights are recorded as part of capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The Authority also records the value of intangible right to use assets based on the underlying leased asset in accordance with GASB Statement No. 87, Leases. The right to use intangible asset is amortized each year for the term of the contract.

Right to use subscription IT assets are recognized at the subscription commencement date and represent SCRRA's right to use the underlying IT asset for the subscription term in accordance with GASB Statement No. 96, Subscription Based Information Technology Arrangements. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

Buildings and improvements, rolling stock, depreciable infrastructure/railroad network, vehicles, fare collection equipment, and computer and other equipment are depreciated using the straight-line method over the following useful lives:

Asset Description	Useful Life
Rolling stock	20-30 years
New railroad network	20 years
Fare collection systems and Positive Train Control	10 years
Computer and other equipment	3-10 years
Support vehicles	5-7 years

SCRRA defines historical infrastructure and new railroad network as basic physical assets that allow SCRRA to function. These assets constitute the Metrolink railroad network (tracks, tunnel and bridge structures, and communications signals). The new railroad network assets are depreciated on a straight-line basis, using a useful life of 20 years. On historical infrastructure, SCRRA has elected to use the modified approach as defined by GASB Statement No. 34.

Pursuant to the modified approach to accounting for infrastructure assets, SCRRA has committed to preserving and maintaining its railroad network at an appropriate condition level as determined by the Board of Directors. Consequently, no depreciation expense is reported for the capital assets comprising the historical railroad network, nor are amounts capitalized in connection with improvements that lengthen the lives of those capital assets, unless those improvements also increase their service capacity. SCRRA maintains an inventory of its railroad network infrastructure assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. In addition, SCRRA makes annual estimates of the amount that must be expended to preserve and maintain the railroad network at the predetermined condition level.

7. Leases and Subscriptions

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Subscription liabilities represent SCRRA’s obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by SCRRA.

8. Compensated Absences

Substantially all employees earn paid time-off (PTO) for vacation, illness, and certain other qualifying absences each pay period. The number of hours accrued is generally based on length of service not to exceed three times an employee’s annual accrual. When employees reach their maximum accrual balance, they will not continue to accrue PTO hours until their PTO accounts are below the maximum accrual balance. A liability for compensated absences has been accrued in the accompanying basic financial statements.

9. Unearned Revenue and Advances on Capital Construction

Unearned revenues arise when SCRRA receives resources before it has a legal claim to them, such as when grant monies are received prior to the incurrence of the qualifying expenses or when advances on capital construction are received. In addition, Member Agencies contribute funds in advance for their annual operating subsidy. In subsequent periods, when SCRRA has met all eligibility requirements, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of SCRRA's California Public Employees' Retirement System (CalPERS) plan (Plan), and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The investments of the plan are reported at fair value.

11. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the SCRRA Retiree Healthcare Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. The investments of the plan are reported at fair value.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

13. Components of Net Position

Net position is reported in one of three categories:

Net Investment in Capital Assets – groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation reduces the balance of this category. Additionally, the Authority includes the right to use lease assets and subscription assets reduced by liabilities used to acquire these assets.

Restricted – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, netting to zero dollars for the years ended June 30, 2023 and 2022.

Unrestricted – represents net position that is not restricted for any project or purpose.

14. Use of Restricted/Unrestricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, SCRRA's policy is to apply restricted resources first.

F. Revenues and Expenses

1. Third-Party Agreements

SCRRA receives revenues from third-party agreements – items such as charter train services, construction of major capital facilities on behalf of third parties, and flagging services provided by SCRRA for the safety of non-SCRRA personnel accessing the rail right-of-way. SCRRA recognizes revenue in the period to the extent of eligible expenses incurred. Any fees determined to be nonrefundable are recognized as revenue upon receipt.

2. Operating and Maintenance Agreements

SCRRA operates Metrolink services through the use of several operating agreements with various vendors. Under these operating agreements, services are provided for the maintenance of track, structures, communications signals and equipment, and rolling stock maintenance, as well as outsourced staffing for the operation of passenger train services.

3. Operating and Non-operating Revenues and Expenses

Operating revenues are those revenues that are generated from SCRRA's primary operations and generally include passenger fares charged for commuter rail services, dispatching fees, third-party agreements, and maintenance-of-way revenues. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to SCRRA's primary operations. All other expenses are reported as non-operating expenses. Revenues are recognized when earned and expenses are recorded when incurred.

G. Reclassifications

Certain amounts presented in the 2022 financial statements have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the increase in net position as previously reported. As of July 2021, the Authority recognized a subscription IT asset in the amount of $6.5 million and a subscription liability in the amount of $6.5 million.

2. CASH AND INVESTMENTS

The Investment policy of SCRRA sets forth the guidelines for the investment of all funds, except retirement funds, and conforms to the California Government Code. The authority to manage SCRRA's investment program is granted to its Treasurer by the Board of Directors. Pursuant to Section 53607 of the California Government Code, the Board of Directors annually appoints the Chief Financial Officer as Treasurer and approves SCRRA's Investment Policy. The Treasurer is authorized to delegate this authority as deemed appropriate. No person may engage in investment transactions except as provided under the terms of the Investment Policy and the procedures established by the Treasurer.

The Investment Policy requires that investments be made with the prudent person standard, that is, when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the Treasurer and designated staff will act with care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to, the general economic conditions and the anticipated needs of SCRRA.

A. *Authorized Investments*

SCRRA's Investment Policy is adopted annually by the Board of Directors in accordance with California Government Code Section 53601, and has as its objectives the following (in order of priority):

- **Safety of Principal:** Safety of principal is the foremost objective of SCRRA. Each investment transaction shall seek to ensure capital losses are avoided, whether from institutional default, broker-dealer default, or erosion of fair value of securities.
- **Liquidity:** Liquidity is the second most important objective of SCRRA. It is important the portfolio contain investments for which there is an active secondary market, and which offer the flexibility to be easily sold at any time with minimal risk of loss of either the principal or interest based upon then prevailing rates.
- **Total Return:** SCRRA's portfolio shall be designed to attain a market-average rate of return through economic cycles.

Under provisions of SCRRA's Investment Policy, the Treasurer may invest in the following types of investments:

U.S. Treasuries	Direct obligations of the United States and securities that are fully and unconditionally guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States; U.S. Treasury coupon and principal Separate Trading of Registered Interest and Principal of Securities (STRIPS).
Federal Agencies and U.S. Government Sponsored Enterprises	Senior debt obligations, participation certificates, or other instruments of, or issued by or guaranteed by, the Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA or Fannie Mae), the Federal Farm Credit Bank (FFCB), the Student Loan Marketing Association (SLMA or Sallie Mae), the Government National Mortgage Association (GNMA or Ginnie Mae), the Small Business Administration (SBA), the Export-Import Bank of the United States, or the U.S. Department of Housing and Urban Development. Any federal agency or U.S. Government Sponsored Enterprise security not specifically mentioned above is not a permitted investment.
State of California and Local Agency Obligations	Registered state warrants, treasury notes, or bonds of the State of California and bonds, notes, warrants, or other forms of indebtedness of any local agency within California.
Bankers Acceptances	Bankers acceptances with a maximum term of 180 days.
Commercial Paper	Prime commercial paper with a maximum term of 180 days.
Negotiable Certificates of Deposit	Negotiable certificates of deposit with a maximum term of 270 days, issued by a nationally- or state-chartered bank or state or federal association or by a state licensed branch of a foreign bank.

Repurchase Agreements	Repurchase agreements with a maximum term of one year that comply with statutory requirements, are documented by a written agreement, are fully collateralized by delivery to an independent third-party custodian or the counterparty's bank's trust department or safekeeping department.
Medium-term Maturity Corporate Securities	Corporate securities with a maximum term of 5 years, rated AA (the Government Code allows A ratings or better) or better by a nationally recognized rating service.
Money Market Funds	Shares of beneficial interest issued by diversified management companies (commonly called money market funds), subject to certain conditions and limitations.
Other Mutual Funds	Shares of beneficial interest issued by diversified management companies (commonly called mutual funds), subject to certain conditions and limitations.
Mortgage or Asset-backed Securities	Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment and other mortgage and consumer receivable pass-through certificates, or consumer receivable-backed bonds with a maximum stated final maturity of 5 years, subject to the credit rating of the issuer.
Investment Agreements	Investment agreements are permitted with any bank, insurance company, or broker-dealer, subject to certain limitations.
State of California Local Agency Investment Fund (LAIF)	LAIF is a pooled fund maintained by the State of California and managed by the State Treasurer. In FY21, an additional account was opened to deposit CARES funds.
Variable and Floating Rate Securities	Variable and floating rate securities, which are restricted to investments in permitted Federal Agencies and U.S. Government Sponsored Enterprises securities, with a final maturity not to exceed 3 years.
Derivatives	Derivatives are to be used as a tool for bona fide hedging investments only where deemed appropriate.

All investments, unless otherwise specified, are subject to a maximum stated term of 5 years.

In accordance with Section 53651 of the California Government Code, SCRRA cannot invest in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages, or in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued under the Investment Company Act of 1940 that are authorized investments under Section 53601 of the California Government Code.

The following is a summary of cash and investments as of June 30, 2023 and 2022 (in thousands):

	2023	2022
Cash with financial institution	$ 88,874	$ 70,021
LAIF	38,613	71,188
Fuel hedge and other assets	12,995	13,766
Total cash and investments	$ 140,482	$ 154,975

Restricted cash and investments for the years ended June 30, 2023 and 2022 are summarized as follows (in thousands):

	2023	2022
Unexpended restricted funds (Note 6):		
Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA)	$ -	$ 4,271
California Transit Security Grant Program (CTSGP)	-	2,018
California State Transportation Agency State Rail Assistance (CalSTA SRA)	12,544	10,235
Low-Carbon Transit Operations Program (LCTOP)	5,386	4,200
Total unexpended restricted funds	17,930	20,724
Advances for construction	24,013	13,482
Other funds	20,804	47,421
Total restricted cash and investments	$ 62,747	$ 81,627

B. Risk Disclosures – Deposits

As of June 30, 2023, and 2022, the Federal Deposit Insurance Corporation (FDIC) covered $250,000 of the bank balance. The California Government Code Section 53652 requires California financial institutions to secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by governmental entities by pledging first trust deed mortgage notes having a value equal to 150% of a governmental unit's total deposit.

C. Investment Valuation

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GASB Statement No. 72 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. The standard describes three levels of inputs that may be used to measure fair value, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value 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.

D. Risk Disclosures – Investments

Investments are subject to a number of risks, as follows:

1. Interest Rate Risk

Interest rate risk is the potential loss due to the fair value of an investment falling due to interest rates rising. At June 30, 2023 and 2022, SCRRA did not hold investments that are "highly sensitive to interest rate fluctuations," as defined by GASB Statement No. 40. As a means of limiting exposure to fair value losses arising from increasing interest rates, SCRRA's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. For SCRRA's LAIF investments, the weighted average maturity at June 30, 2023 and 2022 was 260 days and 311 days respectively.

2. Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligation to the holder of the investment.

Money market funds and other mutual funds must be rated AAA (or equivalent highest rating) by two of the three largest nationally recognized rating agencies. Mortgage or asset-backed securities must be rated AAA (AA, according to the Government Code) by a nationally recognized rating agency. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. LAIF is not rated. SCRRA's investment in LAIF is uncategorized as deposits and withdrawals are made on the basis of $1 and not fair value. LAIF represents $38.6 million and $71.2 million of SCRRA cash balances at June 30, 2023 and 2022 respectively.

3. Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, SCRRA will not be able to recover the value of its investments or collateral securities that are in the possession of outside party. SCRRA has fuel hedging contracts held by Royal Bank of Canada.

4. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's holdings in a single issuer. SCRRA diversifies its portfolio by limiting the percentage of the portfolio that can be invested in any one issuer's name to 5%. Investments in LAIF are not subject to this limit on credit concentration; however, SCRRA limits the percentage of the portfolio that can be invested in any one federal agency or government-sponsored enterprise security to 30%.

E. External Investment Pool

SCRRA follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, for the investments held in the California Local Agency Investment Fund (LAIF), a State of California external investment pool, that is not rated. The pool is valued using pricing models that maximize the use of observable inputs for similar securities that make up the investment pool, which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

During 2021, LAIF announced the authorization to offer special Emergency LAIF accounts to those agencies receiving federal and/or state COVID-19 funds. This is a temporary account solely for the deposit of COVID funds. This account would be in addition to the agencies current LAIF account. This temporary (secondary) account is subject to a $75M cap. Once the agency has withdrawn all funds from the account and after six months of inactivity, LAIF will close this secondary COVID account.

SCRRA reports its investment in LAIF at the fair value amount provided by LAIF. The fair value of LAIF was calculated by applying a factor of 0.984828499 and 0.987125414 at June 30, 2023 and 2022, respectively, to the total investments held by LAIF. As of June 30, 2023, and 2022, SCRRA had $39.2 million and $72.1 million invested in LAIF, respectively, with fair value at $38.6 million and $71.2 million, respectively.

F. Fuel Hedge

SCRRA partially hedges its diesel fuel cost exposure using financial hedges. The goal of the hedging program is to minimize the budget risk resulting from the purchase of fuel on a spot basis and to seek overall low fuel cost in the long-term while managing budget risk. Fuel-related derivative transactions are recorded at fair value on the Balance Sheet as either an asset or liability depending on their fair value; the related unrealized gains and/or losses for effective hedges are deferred. Realized gains and losses on these transactions are recognized as fuel expense in the specific period in which the instrument is settled. During the year ended June 30, 2023, realized settlement losses totaling $0.67 million were recognized in fuel expense. During the year ended June 30, 2022, realized settlement gains totaling $6.7 million were recognized in fuel expense.

SCRRA's fuel hedge program is classified as a level 3 asset under the fair value hierarchy.

The following is a summary of the derivative fuel instruments as of June 30, 2023 and 2022, which have been deemed effective and are recorded as deferred outflows:

	Fair Value at June 30, 2023				
Classification	**2022**	**Change in Fair Value**	**2023**	**Notional**	**Maturity**
Deferred outflows	$13,765,883	($770,911)	$12,994,972	2,184,000 gallons	FY 2024

	Fair Value at June 30, 2022				
Classification	**2021**	**Change in Fair Value**	**2022**	**Notional**	**Maturity**
Deferred inflows	$10,081,572	$3,684,311	$13,765,883	2,646,000 gallons	FY 2023

For the year ended June 30, 2023, the fair value of the fuel hedge investment is $13.0 million and the accumulated loss is $0.08 million. For the year ended June 30, 2022, the fair value of the fuel hedge investment is $13.8 million and the accumulated gain is $0.3 million

SCRRA uses Ultra-Low Sulfur Diesel futures contracts traded on the New York Mercantile exchange to partially hedge diesel fuel purchases.

Credit Risk. Counterparties must have a minimum credit rating of BBB- issued by Standard and Poor's or Fitch's rating service or Baa3 issued by Moody's Investor Services. At June 30, 2023, the credit rating of each counterparty exceeded the minimum required rating.

Basis risk. All of the Authority's transactions are based on the same reference rates; thus there is no basis risk.

Termination Risk. The SCRRA oversees the derivative instrument activity and monitors the counterparties, who are required to maintain a minimum credit rating and present collateral at certain levels, which mitigates the chance of a termination event. To date, no termination events have occurred.

As of June 30,2023, the Authority collateralized a portion of the balance of the account, $11.8 million of the fuel hedge account, into treasury bills with a maturity date of July 2023.

3. DUE FROM OTHER AGENCIES

The amounts due from other agencies consist of construction costs, capital grants and subsidized receivables, and operating subsidies based on expenses incurred on their behalf. The table below summarizes the total amounts due from other agencies as of June 30, 2023 and 2022 (in thousands):

	2023	2022
Third-party agreements	3,313	7,424
Subsidies and grants – federal, State, and local:		
Los Angeles County Metropolitan Transportation Authority (LACMTA)	33,651	34,756
Orange County Transportation Authority (OCTA)	16,311	1,685
Riverside County Transportation Commission (RCTC)	2,852	3,489
San Bernardino County Transportation Authority (SBCTA)	3,102	3,971
Ventura County Transportation Commission (VCTC)	1,075	793
California Department of Transportation (Caltrans)	31,908	15,887
South Coast Air Quality Management District (SCAQMD)	1,710	4,481
Federal Transit Administration (FTA)	7,319	10,937
Federal Railroad Administration (FRA)	184	2,815
Other	1,693	1,578
Total due from other agencies	103,117	87,816
Allowance for uncollectible accounts	(442)	(145)
Total due from other agencies, net	$ 102,675	$ 87,671

4. CAPITAL ASSETS

SCRRA elected to use the modified approach, as defined by GASB Statement No. 34, for infrastructure reporting for its original railroad network. As a result, no accumulated depreciation expense has been recorded for this original network. When SCRRA adds additional railroad network, that is not a part of the GASB 34 original railroad network, these additions will be considered depreciable. A more detailed discussion of the modified approach is presented in the Required Supplementary Information section of this report.

Capital asset activity for the years ended June 30, 2023 and 2022, is as follows (in thousands):

	As restated 6/30/2022	Additions	Deletions	Transfer to/from CIP	Transfer between category	6/30/2023
Non-depreciable capital assets:						
Land	$ 168	$ -	$ -	$ -	$ -	$ 168
Easement and intangible	8,185	-	-	-	-	8,185
Construction in progress	42,173	14,087	-	(41,006)	-	15,254
Railroad network	667,764	-	-	-	-	667,764
Total non-depreciable capital assets	718,290	14,087	-	(41,006)	-	691,371
Depreciable capital assets:						
Building and improvements	191,566	69	-	-	-	191,635
Positive train control (PTC)	42,866	-	-	-	-	42,866
Rolling stock	748,462	-	-	19,000	-	767,462
Fare collection systems	13,161	-	-	16	-	13,177
Computer and other equipment	84,309	1,706	(898)	7,816	-	92,933
Support vehicles	9,793	758	(12)	137	-	10,676
Railroad network, depreciable	137,347	1,658	(582)	14,037	-	152,460
Total depreciable capital assets	1,227,504	4,191	(1,492)	41,006	-	1,271,209
Less accumulated depreciation for:						
Building and improvements	(113,652)	(7,053)	-	-	-	(120,705)
Positive train control (PTC)	(26,644)	(4,286)	-	-	-	(30,930)
Rolling stock	(287,076)	(21,921)	-	-	-	(308,997)
Fare collection systems	(2,994)	(1,317)	-	-	-	(4,311)
Computer and other equipment	(76,287)	(3,647)	897	-	-	(79,037)
Support vehicles	(6,752)	(915)	9	-	-	(7,658)
Railroad network, depreciable	(39,078)	(7,749)	227	-	-	(46,600)
Less accumulated depreciation	(552,483)	(46,888)	1,133	-	-	(598,238)
Total depreciable assets, net	675,021	(42,697)	(359)	41,006	-	672,971
Lease assets						
Intangible asset - right to use lease asset	16,595	-	-	-	-	16,595
Total lease assets	16,595	-	-	-	-	16,595
Less accumulated amortization						
Intangible asset - right to use lease asset	(2,924)	(1,445)	-	-	-	(4,369)
Total accumulated amortization	(2,924)	(1,445)	-	-	-	(4,369)
Net lease assets	13,671	(1,445)	-	-	-	12,226
Subscription IT assets being amortized	6,518	76	-	-	-	6,594
Less accumulated amortization	(3,259)	(3,260)	-	-	-	(6,519)
Net subsciption IT assets	3,259	(3,184)	-	-	-	75
Total lease and subscription IT assets, net	16,930	(4,629)	-	-	-	12,301
Capital assets, net of depreciation/amoritization	$ 1,410,241	$ (33,239)	$ (359)	$ -	$ -	$ 1,376,643

	As restated 6/30/2021	Additions	Deletions	Transfer to/from CIP	Transfer between category	6/30/2022
Non-depreciable capital assets:						
Land	$ 168	$ -	$ -	$ -	$ -	$ 168
Easement and intangible	8,185	-	-	-	-	8,185
Construction in progress	124,165	44,743	(4,176)	(122,559)	-	42,173
Railroad network	667,764	-	-	-	-	667,764
Total non-depreciable capital assets	800,282	44,743	(4,176)	(122,559)	-	718,290
Depreciable capital assets:						
Building and improvements	175,536	-	-	16,030	-	191,566
Positive train control (PTC)	42,866	-	-	-	-	42,866
Rolling stock	639,805	4,280	-	104,711	(334)	748,462
Fare collection systems	13,161	-	-	-	-	13,161
Computer and other equipment	80,867	2,699	(1,440)	1,818	365	84,309
Support vehicles	9,853	1,472	(1,501)	-	(31)	9,793
Railroad network, depreciable	137,347	-	-	-	-	137,347
Total depreciable capital assets	1,099,435	8,451	(2,941)	122,559	-	1,227,504
Less accumulated depreciation for:						
Building and improvements	(106,741)	(6,911)	-	-	-	(113,652)
Positive train control (PTC)	(22,358)	(4,286)	-	-	-	(26,644)
Rolling stock	(268,269)	(18,807)	-	-	-	(287,076)
Fare collection systems	(1,678)	(1,316)	-	-	-	(2,994)
Computer and other equipment	(75,434)	(1,646)	793	-	-	(76,287)
Support vehicles	(7,453)	(798)	1,499	-	-	(6,752)
Railroad network, depreciable	(32,088)	(6,990)	-	-	-	(39,078)
Less accumulated depreciation	(514,021)	(40,754)	2,292	-	-	(552,483)
Total depreciable assets, net	585,414	(32,303)	(649)	122,559	-	675,021
Lease assets						
Intangible asset - right to use lease asset	16,595	-	-	-	-	16,595
Total lease assets	16,595	-	-	-	-	16,595
Less accumulated amortization						
Intangible asset - right to use lease asset	(1,462)	(1,462)	-	-	-	(2,924)
Total accumulated amortization	(1,462)	(1,462)	-	-	-	(2,924)
Net lease assets	15,133	(1,462)	-	-	-	13,671
Subscription IT assets being amortized	6,518	-	-	-	-	6,518
Less accumulated amortization	-	(3,259)	-	-	-	(3,259)
Net subsciption IT assets	6,518	(3,259)	-	-	-	3,259
Total lease and subscription IT assets, net	21,651	(4,721)	-	-	-	16,930
Capital assets, net of depreciation/amortization	$ 1,407,347	$ 7,719	$ (4,825)	$ -	$ -	$ 1,410,241

5. *LONG-TERM OBLIGATIONS*

A summary of changes in long-term obligations for the years ended June 30, 2023 and 2022,

	As restated 6/30/2022	Increases	Decreases	June 30, 2023	Current portion
Claims and judgments	$ 7,418	$ 2,874	$ (118)	$ 10,174	$ 3,000
Compensated balances	5,543	1,466	(1,168)	5,841	2,297
Lease liability	14,670	-	(1,019)	13,651	959
Subscription IT liability	3,345	14	(3,345)	14	4
Net pension liability	6,253	14,693	-	20,946	-
Other postemployment benefits	8,291	2,865	-	11,156	-
Total	$ 45,520	$ 21,912	$ (5,650)	$ 61,782	$ 6,260
Current portion				(6,260)	
Total long-term obligations				$ 55,522	

	As restated 6/30/2021	Increases	Decreases	June 30, 2022	Current portion
Claims and judgements	$ 6,870	$ 2,525	$ (1,977)	$ 7,418	$ 1,800
Compensated balances	5,520	1,103	(1,080)	5,543	2,199
Lease liability	15,620	-	(950)	14,670	1,019
Subscription IT liability	6,518	-	(3,173)	3,345	3,345
Net pension liability	15,841	-	(9,588)	6,253	-
Other postemployment benefits	13,650	-	(5,359)	8,291	-
Total	$ 64,019	$ 3,628	$ (22,127)	$ 45,520	$ 8,363
Current portion				(8,363)	
Total long-term obligations				$ 37,157	

6. *UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES*

The SCRRA Member Agencies contribute the funds necessary to carry out its purposes consistent with the Board-adopted budget and cost sharing formula in addition to funds derived from operations and grants. A preliminary budget for the following fiscal year is submitted to Member Agencies by May 1 of each year and the SCRRA Board must adopt the final budget no later than June 30 of each year. Once SCRRA's annual budget is approved by the Board, each Member Agency pays the annual operating subsidy in advance and on a quarterly basis. An operating surplus indicates that Member Agencies' operating subsidies exceed their share of actual operating revenues earned and expenses incurred by SCRRA during the year. Conversely, an operating deficit indicates that operating subsidies are less than the Member Agencies' share of actual operating revenues earned and expenses incurred by SCRRA; however, an operating deficit does not result in a receivable from Member Agencies. Any operating surplus remains an unearned revenue, unless otherwise designated by the Member Agencies.

Unearned revenue also includes capital subsidies, which are advances from member agencies for capital-related projects. Capital subsidies are recognized to the extent of expenses incurred. Remaining subsidies are maintained in unearned revenue until such time as expenses are incurred. In addition, unearned revenue activities include funds such as Proposition 1B (Prop 1B), The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA), the California Transit Security Grant Program (CTSGP), the California State Transportation Agency State Rail Assistance Program (CalSTA SRA) and the Low Carbon Transit Operations Program (LCTOP), which for accounting purposes, are treated in the same manner as previously described. These funds are received through assignment from various Member Agencies or directly to SCRRA as the primary recipient. See the description of Proposition 1B, CTSGP, CalSTA SRA and LCTOP funds following the unearned revenue activity schedule.

Unearned revenue activity for the years ended June 30, 2023 and 2022, is as follows (in thousands):

	2023	2022
Unearned revenue and advances on projects, beginning of year	$ 85,508	$ 158,290
Subsidies invoiced:		
Operating	211,558	184,328
Public liability and property damage	15,723	13,880
Other	(17,900)	2,608
Subsidies recognized:		
Operating	(196,178)	(186,937)
Federal operating subsidies	(4,500)	(1,265)
Public liability and property damage	(15,723)	(13,880)
Capital	(3,266)	(9,778)
Other	54	3
Operating surplus activity	(6,160)	(60,662)
Interest allocation	472	125
Capital (deficit)/surplus	2,325	(1,204)
Unearned revenue and advances on projects, end of year	$ 71,913	$ 85,508

Proposition 1B – The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of $19.9 billion in general obligation bonds was authorized for issuance, the proceeds of which were deposited into the state's PTMISEA fund for specified purposes, including grants for transit system safety, security, and disaster response projects. Of this amount, $3.6 billion was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, or rolling stock procurement, rehabilitation or replacement.

California State Transportation Agency State Rail Assistance Program (CalSTA SRA)– The California State Transportation State Rail Assistance program funds projects that improve rail service for passengers on commuter rail and intercity rail systems in California. Funding for this program comes from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, which directs a 0.5% portion of new diesel sales tax revenue and allocates half to commuter rail providers and the other half to intercity rail corridors. The majority of program funding is directed by statutory formula to rail operators, with guidelines defining process and timeline for agencies to obtain funding. The SRA Cycle 1 (FY18-20) awarded SCRRA $10.5M and was paid quarterly in full. SRA Cycle 2 (FY20-21) SCRRA was awarded $17.6M and has received $12.9M as of year-end, June 30, 2023.

California Transit Security Grant Program (CTSGP) – Senate Bill 88 of the 2007 Statutes appropriates funds from Proposition 1B to the California Transit Security Grant Program maintained by the California Governor's Office of Emergency Services (Cal OES, formerly CalEMA), to fund grants for eligible purposes. Eligible activities include construction or renovation projects that are designed to enhance the security of public transit stations, tunnels, guideways, elevated structures, or other transit facilities and equipment.

Low Carbon Transit Operations Program (LCTOP) – The Low Carbon Transit Operations Program is one of several programs that is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill (SB) 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in the LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities. SB 862 (Statutes of 2014) appropriated $25 million for LCTOP for FY 2015 and it continuously appropriates 5% of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP each year thereafter.

Proposition 1B (Prop 1B), CTSGP, CalSTA SRA and LCTOP activity during the fiscal years ended June 30, 2023 and 2022, was as follows (in thousands):

	2023			2022		
	Prop 1B	CalSTA SRA	LCTOP	Prop 1B	CalSTA SRA	LCTOP
Unexpended funds, beginning of year	$ 6,289	$ 10,235	$ 4,200	$ 16,514	$ 8,513	$ 5,349
Funds collected	(2,003)	8,428	3,997	-	2,709	1,702
Expenses incurred	(4,342)	(6,384)	(2,965)	(10,283)	(1,028)	(2,877)
Interest revenue earned on unspent funds	56	263	153	58	41	26
Unexpended funds, end of year	$ -	$ 12,544	$ 5,386	$ 6,289	$ 10,235	$ 4,200

Additional information about unearned revenue and advances on capital purchases by Member Agency is presented as unaudited Supplementary Information following the Required Supplementary Information (RSI).

7. *RISK MANAGEMENT*

SCRRA is exposed to risks associated with torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Under SCRRA's risk management program, SCRRA retains risk for approximately $5.0 million for each third-party liability claim. Claims in excess of this amount are covered by an insurance policy up to an annual aggregate limit of $347.5 million. SCRRA's assets are covered by a property insurance program with a self-insured retention of not less than $500,000; $1 million for flood; and $2 million in the event of crash or derailment. The property insurance program has a general limit of $100 million but a sublimit for earthquake and flood of $15 million and $5 million for damage to track and roadbed.

SCRRA is fully insured for workers' compensation claims through Liberty Mutual Insurance Co., consistent with applicable law. Construction-related accidental loss risk is transferred to SCRRA's contractors through contract agreements. During the past three years, there were no claims paid that exceeded the insurance coverage.

Changes in the balances of claims liabilities for the years ended June 30, 2023, 2022, and 2021, are as follows (in thousands):

	2023	2022	2021
Balance, beginning of year	$ 7,418	$ 6,870	$ 5,811
Claims incurred and changes in estimate for claims of prior periods	2,874	2,525	1,300
Claims payments	(118)	(1,977)	(241)
Balance, end of year	$ 10,174	$ 7,418	$ 6,870
Due in one year	3,000	1,800	1,600
Due in more than one year	7,174	5,618	5,270
Total claims liabilities	$ 10,174	$ 7,418	$ 6,870

8. *LEASES*

SCRRA is committed under various leases for communication towers, crew layover facilities, office space, and an easement. SCRRA is considered a Lessee in the leasing agreements summarized below:

The Authority entered into a lease agreement to lease office space for fifteen years beginning April 2018. The lease terminates in 2032. Under the terms of the lease, the Authority pays a monthly base fee of $0.08 million, increasing 4.0% annually on the anniversary of the agreement. SCRRA also pays a pro rata share of operating expenses and property taxes, which are not included in the measurement of the lease liability as they are variable in nature. During FY23 and FY22, the Authority paid $0.7 million and $0.7 million respectively towards those variable costs. The Authority does have an option to terminate the lease. During FY23 and FY22, the Authority recorded $0.8 million and $0.8 million in amortization expense and $0.5 million and $0.5 million in interest expense, respectively for the right to use this asset. As of June 30, 2023 and June 30, 2022, the lease liability of this office space is $9.5 million and $10.8 million, respectively.

The Authority has also entered into other various leases for office space, communication towers, crew layover facilities, and an easement. These leases vary in length and represent the remaining obligations related to leases.

During FY23 and FY22, the Authority recorded $0.6 million and $0.6 million in amortization expense and $0.2 million and $0.2 million in interest expense, respectively for the right to use these assets.

Remaining obligations associated with these leases are as follows (in thousands):

Fiscal Year Ended June 30	Future Minimum Payments*	Interest
2024	$ 1,541	$ 582
2025	1,509	542
2026	1,498	500
2027	1,539	456
2028	1,431	410
2029-2033	7,856	1,260
2034-2038	1,897	184
2039-2043	326	32
2044-2048	13	0
2049-2053	8	0
Future minimum payments	$ 17,617	$ 3,966
Less: Interest	(3,966)	
Present value of future minimum payments	$ 13,651	

*Future Minimum Payments represent the principal and interest payments due for the lease activity.

The Authority amortized the right to use assets as follows during the fiscal year (in thousands):

Lease Activities	Balance at June 30, 2022	Additions	Deletions	June 30, 2023
Right to use assets				
Office space	$ 9,693	$ -	$ (914)	$ 8,779
Office furniture	172	-	(144)	28
Communications tower	2,871	-	(329)	2,542
Crew layover	888	-	(43)	845
Easement	47	-	(15)	32
Total, right to use assets	$ 13,671	$ -	$ (1,445)	$ 12,226

Lease Activities	Balance at June 30, 2021	Additions	Deletions	June 30, 2022
Right to use assets				
Office space	$ 10,613	$ -	$ (920)	$ 9,693
Office furniture	326	-	(154)	172
Communications tower	3,200	-	(329)	2,871
Crew layover	931	-	(43)	888
Easement	63	-	(16)	47
Total, right to use assets	$ 15,133	$ -	$ (1,462)	$ 13,671

9. SUBSCRIPTIONS-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

During the 2023, SCRRA entered into a SBITA contract for the use of payroll time keeping software. As of June 30, 2023, the value of the subscription liability was $0.01 million. SCRRA is required to make annual principal and interest payments of four thousand dollars through April 2027.

In July 2018, SCRRA entered into a SBITA contract for the use of Positive Train Control (PTC) software. SCRRA was required to make annual principal and interest payments of $3.46 million through June 2023. As of June 30, 2023, the value of the subscription liability was $0.

Remaining principal and interest payments on subscriptions are as follows (in thousands):

	Fiscal Year Ended June 30	Future Minimum Payments*	Interest
	2024	$ 5	$ 1
	2025	4	1
	2026	4	-
	2027	3	-
	2028	-	-
	2029-2033	-	-
Future minimum payments		$ 16	$ 2
Less: Interest		(2)	
Present value of future minimum payments		14	

*Future Minimum Payments represent the principal and interest payments for subscription activity.

The Authority amortized the subscription assets as follows during the fiscal year (in thousands):

	(As restated) Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Subscription assets, net of accumulateed amoritzation	$ 3,259	74	(3,259)	74

	(As restated) Balance at June 30, 2021	Additions	Deletions	Balance at June 30, 2022
Subscription assets, net of accumulateed amoritzation	$ 6,518	-	(3,259)	3,259

10. RETIREMENT BENEFITS

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the SCRRA Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers.

Benefits Provided – All regular SCRRA employees classified as full-time, as well as part-time regular employees and temporary SCRRA workers who work 1,000 or more hours per year, are required to participate in CalPERS. SCRRA's pension plan provides retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and beneficiaries through CalPERS. Benefits are based on years of credited service, equal to one year of full-time employment, and vest after five years of service. These benefit provisions and all other requirements are established by State statute and SCRRA Board action.

SCRRA employees are entitled to an annual retirement benefit, payable monthly for life, the amount of which is based on a formula which varies depending on the employee's retirement plan, date of hire, and participation in a public retirement plan prior to SCRRA employment. On January 1, 2013, the Public Employees' Pension Reform Act of 2013 (PEPRA) took effect. PEPRA distinguishes between so-called "classic" employees, who were in a public retirement plan (not necessarily CalPERS) prior to January 1, 2013, and "new" employees, who first became a member of a public retirement plan on or after January 1, 2013.

A summary of SCRRA's benefits is provided below:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Retirement Age	60	62
Benefit Formula	2.0%	2.0%
Average Highest Compensation Period	36 months	36 months
Maximum % of Final Compensation	No max	No max
COLA	2.0%	2.0%

Covered Employees – At June 30, 2022, the most recent information available, the following employees were covered by the benefit terms for the plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	181
Inactive employees entitled to but not yet receiving benefits	298
Active employees	249
Total	728

Contribution Requirements – Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers be determined on an annual basis by the CalPERS actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for the plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to fund the costs of benefits earned by employees during the year, with an additional amount to pay down any unfunded accrued liability. SCRRA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The required employer contribution rates for fiscal years 2023 and 2022 were 13.54% and 13.99% of covered payroll, respectively, resulting in $4.03 million and $3.84 million, respectively, being recognized by CalPERS as employer contributions.

Pension Plan Financial Reports – SCRRA's pension plan does not issue a stand-alone financial report; however, CalPERS issues an audited Schedule of Changes in Fiduciary Net Position by employer and plan, which is available at the following link: www.calpers.ca.gov.

B. *Net Pension Liability*

SCRRA's net pension liability for the plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the plan is measured as of June 30, 2022, using an annual actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

Assumptions and Other Inputs – A summary of significant assumptions and other inputs used to measure the total pension liability is shown below:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Retirement Age	Probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality Rate Table	The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.
Post-Retirement Benefit Increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.53% thereafter.

Discount Rate – The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

The expected real rates of return by asset class are as follows:

Asset Class (1)	Assumed asset allocation	Real Return (1),(2)
Global Equity - Cap-weighted	30.0%	4.5%
Global Equity - Non-Cap-weighted	12.0%	3.8%
Private Equity	13.0%	7.3%
Treasury	5.0%	0.3%
Mortgage-backed Securities	5.0%	0.5%
Investment Grade Corporates	10.0%	1.6%
High Yield	5.0%	2.3%
Emerging Market Debt	5.0%	2.5%
Private Debt	5.0%	3.6%
Real Assets	15.0%	3.2%
Leverage	-5.0%	-0.6%
Total	100.0%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021 Asset Liability Management Study

Fiduciary Net Position – SCRRA's pension plan does not issue stand-alone financial reports. Information about the elements of the pension plan's basic financial statements is not directly available. However, SCRRA's plan constitutes a portion of the CalPERS PERF, for which a Statement of Fiduciary Net Position – Fiduciary Funds is included in the CalPERS Annual Comprehensive Financial Report, located at the following link: www.calpers.ca.gov. The accompanying Notes to the Basic Financial Statements disclose information related to the basis of accounting, including the policies with respect to benefit payments and the valuation of pension plan investments.

C. Changes in Net Pension Liability

A schedule of changes in the Net Pension Liability for the measurement period ended June 30, 2022 and June 30, 2021 is presented below (in thousands):

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/ (Asset)
Balance as of June 30, 2020	**$ 90,157**	**$ 74,317**	**$ 15,841**
Changes during the year:			
Service cost	4,228	-	4,228
Interest on total pension liability	6,590	-	6,590
Differences between expected and actual experience	1,684	-	1,684
Contributions – employer	-	3,349	(3,349)
Contributions – employees	-	1,949	(1,949)
Net investment income	-	16,866	(16,866)
Benefit payments, including refunds of employee contributions	(3,567)	(3,567)	-
Administrative expense	-	(74)	74
Net changes	**$ 8,935**	**$ 18,523**	**$ (9,588)**
Balance as of June 30, 2021	**$ 99,092**	**$ 92,840**	**$ 6,253**
Changes during the year:			
Service cost	4,412	-	4,412
Interest on total pension liability	6,980	-	6,980
Changes of assumptions	3,436	-	3,436
Differences between expected and actual experience	(1,602)	-	(1,602)
Contributions – employer	-	3,516	(3,516)
Contributions – employees	-	2,107	(2,107)
Net investment income	-	(7,032)	7,032
Benefit payments, including refunds of employee contributions	(3,960)	(3,960)	-
Administrative expense	-	(58)	58
Net changes	**$ 9,266**	**$ (5,427)**	**$ 14,693**
Balance as of June 30, 2022	**$108,358**	**$ 87,413**	**$ 20,946**

Sensitivity of Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of SCRRA for the plan, calculated using the current discount rate for the plan, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Balance as of June 30, 2021	
Discount rate 1% lower	6.15%
Net Pension Liability	$ 19,909
Current discount rate	**7.15%**
Net Pension Liability	**$ 6,253**
Discount rate 1% higher	8.15%
Net Pension Liability	($ 5,013)

Balance as of June 30, 2022	
Discount rate 1% lower	5.90%
Net Pension Liability	$ 36,528
Current discount rate	**6.90%**
Net Pension Liability	**$ 20,946**
Discount rate 1% higher	7.90%
Net Pension Liability	$ 8,153

Deferred Outflows of Resources and Deferred Inflows of Resources – For the years ended June 30, 2023 and 2022, SCRRA recognized pension expense in the amount of $5.0 million and $2.4 million, respectively. At June 30, 2023 and June 30, 2022, SCRRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 3,839	$ -
Changes of assumptions	-	28
Differences between expected and actual experience	2,349	-
Net difference between projected and actual earnings on pension plan investments	-	8,300
Balance as of June 30, 2022	**$ 6,188**	**$ 8,328**
Pension contributions subsequent to measurement date	$ 4,037	$ -
Changes of assumptions	2,637	-
Differences between expected and actual experience	1,229	1,229
Net difference between projected and actual earnings on pension plan investments	4,577	-
Balance as of June 30, 2023	**$ 12,479**	**$ 1,229**

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2023	$ 1,982
2024	1,539
2025	866
2026	2,827
2027	-
Thereafter	-

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided – In addition to providing the retirement benefits described above, SCRRA provides postemployment healthcare benefits. The SCRRA Retiree Healthcare Plan (Plan), an agent multiple-employer defined benefit plan, provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA), in accordance with agreements and memoranda of understanding between SCRRA, its management employees, and unions representing SCRRA employees, to employees who retire directly from SCRRA through CalPERS at the minimum age of 50 with at least 5 years of CalPERS service or disability. The Plan was created by action of the SCRRA Board of Directors to administer medical insurance benefits for eligible retirees and their dependents, and it can be amended through subsequent action of SCRRA's Board of Directors.

SCRRA pays 80% of the medical premium for the most extensive plan and 90% of the medical premium for all other plans to eligible retirees who retire directly from SCRRA. SCRRA does not provide retiree dental, vision, or life insurance benefits.

Cost of living adjustment (COLA) – There was no COLA approved for fiscal year 2024.

Contributions – The benefit generally ceases upon death of the retiree or surviving spouse. The actuarially-determined contributions (ADC) for the fiscal years ended June 30, 2023 and 2022, were $2.27 million and $2.66 million, respectively, based on the June 30, 2021 actuarial valuations. The actual contributions for the years ended June 30, 2023 and 2022 were $2.28 million and $2.66 million, respectively.

Employees Covered by Benefit Terms – At June 30, 2022, the measurement date, the following numbers of participants were covered by the benefit terms:

	Count
Inactive employees or beneficiaries currently receiving benefits	143
Inactive employees entitled to but not yet receiving benefits	20
Active employees	281
Total	444

Net OPEB Liability – SCRRA's net OPEB liability was based on a measurement period of July 1, 2021 through June 30, 2022. The total OPEB liability used as a basis to calculate the net OPEB liability was based on actuarial valuation as of June 30, 2021.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	6.25%
Inflation	2.50% per annum
Salary Increases	Aggregate, 2.75%; merit, CalPERS 2000-2019 Experience Study
Investment Rate of Return	6.25%
Mortality Rate Table	CalPERS 2000-2019 Experience Study • Post-Retirement mortality projected fully generational Scale MP-21.
Healthcare Cost Trends:	
Non-Medicare Cost Trend	6.5% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Medicare Cost Trend	5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076

Expected Long-Term Rate of Return – CALPERS' expected rate of return based on Strategy 1 is shown below:

Asset class component	Target Allocation	Expected Real Rate of Return
Global Public Equity	49%	4.56%
Fixed Income	23%	1.56%
TIPS	5%	(0.08%)
Commodities	3%	1.22%
REITs	20%	4.06%
Assumed long-term rate of inflation		2.50%
Assumed long term investment expenses		n/a
Expected long-term rate of return, rounded		6.25%
Discount rate		6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 6.25%. The SCRRA Retiree Healthcare Plan is a funded plan because of its participation in the CalPERS California Employers' Retiree Benefit Trust (CERBT), a Section 115 trust fund dedicated to prefunding other postemployment benefits for all eligible California public agencies. SCRRA's plan constitutes a portion of the CERBT.

A schedule of changes in Net OPEB Liability for the measurement period ended June 30, 2022 and June 30, 2021, is presented below (in thousands):

	Increase (Decrease)		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2020	**$ 27,082**	**$ 13,432**	**$ 13,650**
Service cost	1,388	-	1,388
Interest on total OPEB liability	1,878	-	1,878
Actual vs expected experience	(879)	-	(879)
Assumption changes	(1,457)	-	(1,457)
Contributions – employer*	-	2,588	(2,588)
Contributions – employees	-	-	-
Net investment income	-	3,709	(3,709)
Benefit payments and refunds*	(1,295)	(1,295)	-
Administrative expense	-	(8)	8
Net changes	**(365)**	**4,994**	**(5,359)**
Balance as of June 30, 2021	**$ 26,717**	**$ 18,426**	**$ 8,291**
Changes during the year:			
Service cost	1,325	-	1,325
Interest on total OPEB liability	1,710	-	1,710
Actual vs expected experience	-	-	-
Assumption changes	-	-	-
Contributions – employer**	-	2,666	(2,666)
Contributions – employees	-	-	-
Net investment income	-	(2,488)	2,488
Benefit payments and refunds**	(1,383)	(1,383)	-
Administrative expense	-	(8)	8
Net changes	**1,652**	**(1,213)**	**2,865**
Balance as of June 30, 2022	**$ 28,369**	**$ 17,213**	**$ 11,156**

*For June 30, 2021, includes $1.3 million contribution to the trust and consisting of $1.1 million cash benefit payments and $0.2 million implied subsidy benefit payments (both paid outside of the trust).

** For June 30, 2022, includes $1.4 million contribution to the trust and consisting of $1.2 million cash benefit payments and $0.2 million implied subsidy benefit payments (both paid outside of the trust).

Sensitivity of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates – The following present the net OPEB liability of SCRRA, as well as what SCRRA's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Balance as of June 30, 2021	
Discount rate 1% lower	5.25%
Net OPEB Liability	$ 11,834
Current discount rate	**6.25%**
Net OPEB Liability	**$ 8,291**
Discount rate 1% higher	7.25%
Net OPEB Liability	$ 5,358

Balance as of June 30, 2022	
Discount rate 1% lower	5.25%
Net OPEB Liability	$ 14,933
Current discount rate	**6.25%**
Net OPEB Liability	**$ 11,156**
Discount rate 1% higher	7.25%
Net OPEB Liability	$ 8,028

The following presents the net OPEB liability of SCRRA, as well as what SCRRA's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (in thousands):

Balance as of June 30, 2021	
Healthcare cost trend rate 1% lower	
Net OPEB Liability	$ 4,936
Current healthcare cost trend rate	
Net OPEB Liability	**$ 8,291**
Healthcare cost trend rate 1% higher	
Net OPEB Liability	$ 12,448

Balance as of June 30, 2022	
Healthcare cost trend rate 1% lower	
Net OPEB Liability	$ 7,317
Current healthcare cost trend rate	
Net OPEB Liability	**$ 11,156**
Healthcare cost trend rate 1% higher	
Net OPEB Liability	$ 15,936

OPEB Expense – For the year ended June 30, 2023 and 2022, SCRRA recognized an OPEB expense of $1.4 million and $1.1 million, respectively. At June 30, 2023 and June 30, 2022, SCRRA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,666	$ -
Changes of assumptions	-	1,782
Differences between expected and actual experience	-	2,433
Net difference between projected and actual earnings on OPEB plan investments	-	2,025
Balance as of June 30, 2022	**$ 2,666**	**$ 6,240**
Contributions subsequent to measurement date	$ 2,280	$ -
Changes of assumptions	-	1,518
Differences between expected and actual experience	1,386	1,995
Net difference between projected and actual earnings on OPEB plan investments	-	-
Balance as of June 30, 2023	**$ 3,666**	**$ 3,513**

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2024	$ (452)
2025	(464)
2026	(533)
2027	30
2028	(346)
Thereafter	(362)

OPEB fiduciary Net Position – Detailed information about the OPEB plan fiduciary net position is available in the separately issued CALPERS financial reports.

12. COMMITMENTS AND CONTINGENCIES

Litigation – SCRRA is a defendant in various lawsuits. Although the ultimate outcome of each lawsuit is not presently determinable, in the opinion of SCRRA's legal counsel, the resolution of these matters will not have a material adverse effect on SCRRA's financial condition.

Grant Adjustments – Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although SCRRA expects such amounts, if any, to be immaterial.

Service and Maintenance Agreements – SCRRA's operator services are provided by National Railroad Passenger Corporation (Amtrak). The current agreement expires June 2025.

SCRRA's rolling stock is maintained through the use of an equipment maintenance agreement with an independent contractor (Alstom Transportation, Inc.). The eight-year agreement awarded to Bombardier, Inc., expires June 2025.

SCRRA maintains infrastructure through various maintenance agreements with independent contractors. The track and signal structures are maintained under an agreement with Herzog Contracting Corporation, which expires June 2026

13. RELATED PARTY TRANSACTIONS

Member Agencies under the Joint Powers Agreement (LACMTA, OCTA, VCTC, RCTC, and SBCTA) contribute operating subsidies to SCRRA. SCRRA's independent governing Board consists of 11 members appointed by the Member Agencies (see note 1).

The operating subsidies invoiced by SCRRA for the years ended June 30, 2023 and 2022, were $213.9 million and $181.4 million, respectively. Self-insurance reserve subsidies invoiced by SCRRA for the years ended June 30, 2023 and 2022, were $18.9 million and $16.8 million, respectively. Capital subsidies invoiced by SCRRA for the years ended June 30, 2023 and 2022, were $11.6 million and $4.4 million, respectively.

14. NEW ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

The following accounting pronouncements were implemented effective July 1, 2021:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

Statement of Net Position	**As originally reported as of June 30, 2022**	**Effects of GASB 96 Adoption**	**Restated as of June 30, 2022**
Assets:			
Capital Assets			
Depreciable assets, net of accumulated depreciation/amortization	$ 1,406,982	$ 3,259	$ 1,410,241
Liabilities:			
Current liabilities			
Subscription liability	-	3,345	3,345
Net position:			
Net investment in capital assets	1,389,124	(86)	1,389,038
Unrestricted net position	37,291	-	37,291

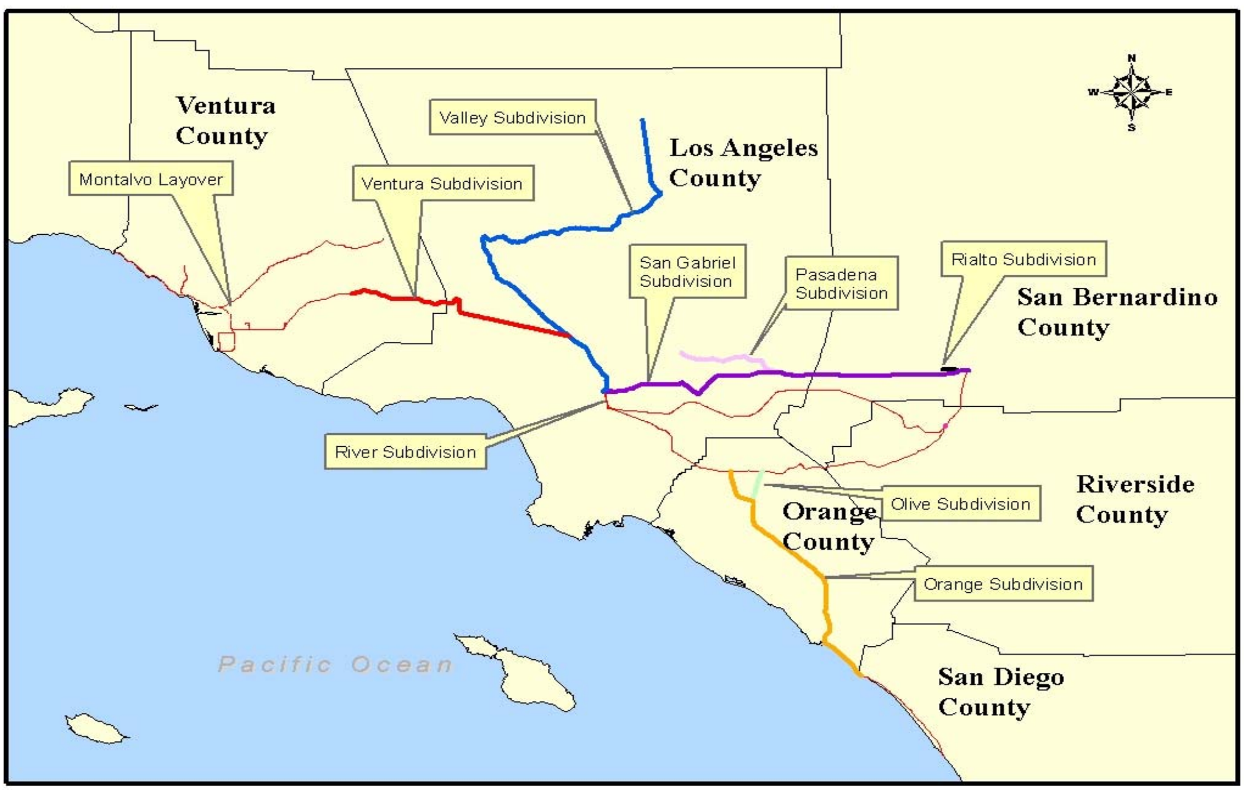
Statement of Revenues, Expenses and Changes in Net Position	**As originally reported as of June 30, 2022**	**Effects of GASB 96 Adoption**	**Restated as of June 30, 2022**
Operating expenses:			
Train operations	$ 176,537	$ (3,463)	$ 173,074
Depreciation/amortization	42,216	3,259	45,475
Nonoperating revenues (expenses)			
Interest expense	(656)	(290)	$ (946)
Change in net position	14,927	(86)	14,841

1. THE METROLINK RAILROAD NETWORK

GASB 34 defines and distinguishes infrastructure assets as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. As part of the Joint Exercise of Powers Agreement (JPA), the Member Agencies acquired the rail network in existence at the time of the JPA for use in Metrolink commuter rail operations. This railroad network is not included as part of Metrolink's railroad network capital assets. The Member Agencies retain title and ownership to those assets. As part of the JPA, Metrolink is responsible for the related maintenance and operation of members' assets and rail right-of-way used in operations. In addition, certain members retain responsibility to maintain non-operating segments of their railroad network. Metrolink's infrastructure consists of capital assets created as a result of new capital construction and major capital improvement projects, and includes 546 miles of track, 273 bridges, 210 communication sites, 135 intermediate control points, 127 signal control points, and 6 tunnels. The service area for this network covers approximately 2,300 square miles with a population of more than 18 million.

As shown below, the Metrolink railroad network expands over a six-county Southern California area:

Metrolink Subdivisions



A. Modified Approach for Infrastructure

Southern California Regional Rail Authority's (SCRRA) has elected to use the modified approach in reporting its Metrolink railroad network. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network are not required to be depreciated as long as two requirements are met. *First,* the government manages the eligible infrastructure assets using an asset management system that has the following characteristics:

- Have an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of the eligible infrastructure assets every three years and summarize the results using a measurement scale.
- Estimate each year the annual amount necessary to maintain and preserve the eligible infrastructure assets at the condition level established and disclosed by the government.

Second, the government must document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level established and disclosed by the government. If eligible infrastructure assets meet all requirements and are not depreciated, all expenditures made for those assets (except for additions and improvements) are expensed in the period incurred. Additions and improvements to eligible infrastructure assets are capitalized. Additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

The condition of the railroad network is measured using the SCRRA Railroad Management System Assessment. The networks and subsystems are track, structures, bridges, tunnels, signals, and communications.

B. Condition Assessment Data

Governmental accounting standards require that a condition assessment be performed on all infrastructure assets every three years. As an approved alternative to conducting a system-wide assessment every three years, SCRRA has chosen to create a Metrolink Rehabilitation Plan (MRP) that thoroughly assesses the condition of SCRRA's key infrastructure assets. The MRP provides a "boots on the ground" approach to the scope and associated costs for both the current backlog and annual costs required to keep the railroad infrastructure at a state of good repair.

C. Basis for Condition Measurement and Measurement Scale

The SCRRA Board adopted the SCRRA Transit Asset Management Plan (TAM Plan) in 2016 with the following overarching goal; "To ensure that a transit agency's assets are maintained and operated in a consistent, measurable sate of good repair. The TAM Plan provides guideposts by which an agency can track progress toward a mature, data driven asset management system. During 2018, Metrolink also introduced the Metrolink Rehabilitation Plan (MRP) which is an element of the TAM Plan to better define infrastructure rehabilitation needs.

The MRP was most recently updated in 2023 and it provides a comprehensive evaluation of the condition, maintenance, useful life, and required overhauls of the Metrolink rail system assets. The MRP covers key asset classes (structures, track, systems, rolling stock, facilities, and stations) and includes a series of sections dedicated to the various components of each asset. The MRP will be used to prioritize and guide rehabilitation and improvement projects. It will also be used to inform funding requests to ensure safe and reliable operation of the Metrolink System.

State of Good Repair (SGR) refers to standard of infrastructure, equipment, and systems that are maintained in a safe, reliable, and efficient condition. SGR is achieved when all capital assets are functioning at their ideal capacity within their design life expectancy, and no backlog of needs or maintenance exists. This standard ensures that the Metrolink rail system operates at peak performance and meets all safety and regulatory requirements. Metrolink's asset management strategies identify the funding required and the appropriate allocation of dollars to adequately maintain all structures as they age, and as physical conditions change. To determine each asset's investment needs, the Authority assesses the structures condition based on ratings of 1 through 5. With 1 needing immediate attention due to a failure in the asset (or failed) through 5 being in a state of good repair and representing the lowest cost or level of effort to maintain. Below is a table that shows Metrolink's current condition ratings used in the MRP.

Condition	Rating	Strategy	Work Unit	Cost/Level-of-Effort	Examples
Good	5	State of Good Repair	Maintenance	Lowest	Ballast and Tie replacement, Scour protection, Debris removal, and Vegetation control
Fair	4	Life-cycle Maintenance/ Preservation	Maintenance/Job Order Contract	Low	Crack and Spall repairs, Bearing adjustment, Site restoration
Poor	3	Rehabilitate	Job Order Contract (JOC)	High	Bridge and Culvert major rehabilitation or replacement
Imminent Failure	2	Stabilize	Emergency	Highest	Grade stabilization, Erosion and Flood Restoration
Failed	1	–	–	–	–

D. Estimated Maintenance and Preservation Costs

To ensure consistency in reporting, effective 2012, management prepared a five-year strategic capital program plan to more discretely identify the minimum annual costs required to maintain or preserve its infrastructure assets.

The estimated and actual annual amounts of infrastructure maintenance and preservation costs needed to achieve the minimum railroad condition index standard, which include maintenance-of-way, rehabilitation, and renovation capital expenses, for the past 5 years are as follows (in thousands):

Year Ended June 30	Estimated Amount	Actual Amount
2023	$106,545	$64,664
2022	99,033	97,201
2021	54,335	58,288
2020	63,731	75,194
2019	62,800	35,529

2. *SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS*

Following is a schedule of changes in net pension liability (in thousands) and related ratios:

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	$ 4,412	$ 4,228	$ 3,630	$ 3,574	$ 3,380	$ 3,461	$ 2,990	$ 2,930	$ 2,687
Interest on total pension liability	6,980	6,590	5,999	5,459	4,958	4,563	4,233	3,904	3,572
Difference between expected and actual experience	(1,602)	1,684	1,465	1,269	531	(771)	(559)	(218)	-
Change in assumptions	3,436	-	-	-	(586)	3,938	-	(994)	-
Benefit payments, including refunds of employee contributions	(3,960)	(3,567)	(3,122)	(2,817)	(2,582)	(2,228)	(2,071)	(1,895)	(1,633)
Net change in total pension liability	9,266	8,935	7,972	7,485	5,701	8,963	4,593	3,727	4,626
Total pension liability, beginning	99,092	90,157	82,185	74,700	68,999	60,036	55,443	51,716	47,090
Total pension liability, ending (a)	$108,358	$99,092	$90,157	$82,185	$74,700	$68,999	$60,036	$55,443	$51,716
Plan Fiduciary Net Position									
Contributions – employer	3,516	3,349	3,027	2,599	2,370	2,268	2,084	1,807	1,674
Contributions – employee	2,107	1,949	1,940	1,747	1,691	1,650	1,445	1,338	1,262
Net investment income	(7,032)	16,865	3,484	4,199	4,957	5,726	245	1,039	6,747
Benefit payments	(3,960)	(3,567)	(3,122)	(2,817)	(2,582)	(2,229)	(2,071)	(1,895)	(1,633)
Administrative expense	(58)	(74)	(97)	(45)	(259)	(74)	(29)	(54)	-
Net change in plan fiduciary net position	(5,427)	18,522	5,232	5,683	6,177	7,341	1,674	2,235	8,050
Plan fiduciary net position, beginning	92,839	74,317	69,085	63,403	57,226	49,885	48,211	45,976	37,926
Plan fiduciary net position, ending (b)	$ 87,412	$92,839	$74,317	$69,085	$63,403	$57,226	$49,885	$48,211	$45,976
Net pension liability, ending (a) – (b)	$ 20,946	$ 6,253	$15,841	$13,100	$11,298	$11,773	$10,151	$ 7,232	$ 5,740
Plan fiduciary net position as a percentage of total pension liability	80.67%	93.69%	82.43%	84.06%	84.88%	82.94%	83.09%	86.96%	88.90%
Covered payroll	$ 27,438	$28,508	$24,528	$23,732	$22,265	$22,149	$20,505	$19,658	$17,546
Net pension liability as a percentage of covered payroll	76.34%	21.93%	64.58%	55.20%	50.74%	53.15%	49.50%	36.79%	32.71%

<u>*Changes of Benefit terms*</u> – The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

<u>*Change in assumptions*</u> – Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-

term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

Because GASB Statement No. 68 was implemented in FY 2015, it is not possible to present a 10-year comparison of changes in net pension liability and related ratios.

3. SCHEDULE OF PENSION CONTRIBUTIONS

Following is a schedule of contributions (in thousands):

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially-determined employer contribution	$ 4,037	$ 3,839	$ 3,349	$ 3,028	$ 2,598	$ 2,369	$ 2,266	$ 2,084	$ 1,806	$ 1,674
Contributions in relation to the actuarially-determined contributions	(4,037)	(3,839)	(3,349)	(3,028)	(2,598)	(2,369)	(2,266)	(2,084)	(1,806)	(1,674)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$29,822	$27,438	$28,508	$24,528	$23,732	$22,265	$22,149	$20,505	$19,658	$17,547
Contributions as a percentage of covered payroll	13.54%	13.99%	11.75%	12.35%	10.95%	10.64%	10.23%	10.16%	9.19%	9.54%

The actuarial methods and assumptions used to set the actuarially-determined contributions for fiscal year ended June 30, 2021.

Information about that valuation is presented below:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Method	Level percent of payroll
Remaining Amortization Period	16 years remaining for 2021/22
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	7.0%
General Inflation	2.5%
Retirement Age	Probabilities of retirement are based on the 2017 CalPERS Experience study for the period from 1997 to 2015.
Mortality Rate Table	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

4. SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

These schedules are presented to illustrate the requirement to show information for 10 years. Until a full 10-year trend is compiled, SCRRA will present information for available years. A schedule of changes in total OPEB liability is presented below (in thousands):

	2023	2022	2021	2020	2019	2018
Service cost	$ 1,325	$ 1,388	$ 1,371	$ 1,416	$ 1,375	$ 1,336
Interest	1,710	1,878	1,782	1,835	1,696	1,565
Difference between actual and expected experience	-	(879)	-	(2,656)	-	-
Assumption changes	-	(1,457)	(498)	(205)	-	-
Benefit payments, including refunds	(1,383)	(1,295)	(1,185)	(1,069)	(1,045)	(973)
Changes in benefit terms	-	-	-	-	-	-
Net Changes	1,652	(365)	1,470	(679)	2,026	1,928
Total OPEB liability, beginning of year	$ 26,717	$ 27,082	$ 25,612	$ 26,291	$ 24,265	$ 22,337
Total OPEB liability, end of year	$ 28,369	$ 26,717	$ 27,082	$ 25,612	$ 26,291	$ 24,265

A schedule of changes in plan fiduciary net position is presented below (in thousands):

	2023	2022	2021	2020	2019	2018
Contributions – employer	$ 2,666	$ 2,588	$ 2,929	$ 4,528	$ 1,045	$ 2,590
Contributions - employee	-	-	-	-	-	-
Net investment income	(2,488)	3,709	412	533	539	490
Benefit payments, including refunds	(1,383)	(1,295)	(1,185)	(1,069)	(1,045)	(973)
Administrative expenses	(8)	(8)	(9)	(2)	(13)	(3)
Other changes	-	-	-	-	-	-
Net Changes	(1,213)	4,994	2,147	3,990	526	2,104
Plan Fiduciary Net Position, beginning of year	$ 18,426	$ 13,432	$ 11,285	$ 7,295	$ 6,769	$ 4,665
Plan Fiduciary Net Position, end of year	$ 17,213	$ 18,426	$ 13,432	$ 11,285	$ 7,295	$ 6,769

	2023	2022	2021	2020	2019	2018
Net OPEB Liability	$ 11,156	$ 8,291	$ 13,650	$ 14,327	$ 18,996	$ 17,496
Fiduciary Net Position as a percentage of the Total OPEB Liability	60.7%	69.0%	49.6%	44.1%	27.7%	27.9%
Covered Payroll*	$ 31,783	$ 32,387	$ 31,242	$ 29,754	$ 24,746	$ 23,691
Net OPEB Liability as a percentage of Covered Payroll	35.1%	25.6%	43.7%	48.2%	76.8%	73.9%

*Determined for the 12-month period ended June 30, 2022 (Measurement Date)

5. *SCHEDULE OF OPEB CONTRIBUTIONS*

Following is a schedule of employer contributions (in thousands):

	2023	2022	2021	2020	2019	2018
Actuarially-determined employer contribution	$ 2,276	$ 2,666	$ 2,588	$ 2,925	$ 2,838	$ 2,674
Contributions in relation to the actuarially-determined contributions	(2,280)	(2,666)	(2,590)	(2,929)	(2,789)	(2,784)
Contribution deficiency (excess)	$ (4)	$ -	$ (2)	$ (4)	$ 49	$ (110)
Covered payroll**	$ 33,699	$ 31,783	$ 32,387	$ 31,242	$29,754	$24,746
Contributions as a percentage of covered payroll	6.77%	8.39%	8.00%	9.38%	9.37%	11.25%

**For the 12-month period ending on June 30, 2023 (fiscal year end).

The actuarial methods and assumptions used to set the actuarially determined contributions for the June 30, 2022 measurement date were from the June 30, 2021 actuarial valuation. Information about that valuation is presented below:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age normal, level percentage of payroll
Amortization Method	Level percent of payroll
Amortization Period	15-year fixed (closed) period for 2021/22
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.25%
General Inflation	2.50%
Medical Trend	Non-Medicare – 6.50% for 2023, decreasing to an ultimate rate of 4.0% in 2076. Medicare – 4.6% for Kaiser and 5.65% for all Others for 2023, decreasing to an ultimate rate of 3.75% in 2076.
Mortality Improvement	Miscellaneous: Mortality projected fully generational with Scale MP-21. Dispatching Operations: 2013 RRB Mortality Improvement Scale

Because GASB statement No. 75 was implemented in FY 2018, it is not possible to present a 10-year comparison of changes in net OPEB liability and related ratios.

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STATISTICAL

METROLINK

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY

Statistical Section Overview

This section of the Southern California Regional Rail Authority's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Changes in Net Position, Net Positions by Component, and Percentages of Operating Costs Covered by Revenues

Last Ten Fiscal Years

(Dollar amounts in thousands)

	Years ended June 30									
	2023	2022**	2021*	2020	2019	2018	2017	2016	2015	2014
Change in net position/net assets:										
Net position at beginning of year	$ 1,426,329	$ 1,411,488	$ 1,417,248	$ 1,358,204	$ 1,371,421	$ 1,387,960	$ 1,382,143	$ 1,363,761	$ 1,362,880	$ 1,315,972
Increase in net position	(25,377)	14,841	(5,760)	59,044	(13,217)	(16,539)	5,817	18,382	881	46,908
Net position at end of year	$ 1,400,952	$ 1,426,329	$ 1,411,488	$ 1,417,248	$ 1,358,204	$ 1,371,421	$ 1,387,960	$ 1,382,143	$ 1,363,761	$ 1,362,880
Net position by component:										
Net investment in capital assets	$ 1,358,870	$ 1,389,038	$ 1,385,209	$ 1,392,765	$ 1,344,154	$ 1,349,335	$ 1,368,157	$ 1,370,625	$ 1,338,723	$ 1,336,221
Unrestricted	42,082	37,291	26,279	24,483	14,050	22,086	19,803	11,518	25,038	26,659
% of operating costs covered by revenues and operating grants. Operating costs are net of depreciation, gas tax, third-party agreements, rehabiliation and renovation-capital and rolling stock lease.	18.46%	17.66%	12.79%	32.83%	41.29%	43.20%	42.65%	44.80%	48.41%	52.32%

* 2021 net position was restated for the implementation of GASB 87

** 2022 net position was restated for the implementation of GASB 96

Statement of Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years

(Dollar amounts in thousands)

	Years ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Operating revenues:										
Fares	$ 34,309	$ 28,136	$ 16,224	$ 63,152	$ 82,157	$ 82,676	$ 83,398	$ 84,506	$ 83,111	$ 85,673
Dispatching	2,245	2,155	2,079	2,306	2,155	2,144	2,078	2,194	2,516	2,488
Third-party agreements	18,167	22,934	17,436	24,543	30,208	22,641	17,503	26,951	21,355	26,676
Maintenance of way revenues	13,402	11,512	11,545	13,294	13,030	12,792	12,387	12,437	12,991	11,726
Gas tax revenue	-	-	-	-	-	-	-	-	-	1,684
Public liability and property damage recovery	57	980	817	525	2,566	4,210	5	576	3,183	3,164
Interest and other income	320	443	292	220	734	194	303	568	2,172	393
Total operating revenues	$ 68,500	$ 66,160	$ 48,393	$ 104,040	$ 130,850	$ 124,657	$ 115,674	$ 127,232	$ 125,328	$ 131,804
Nonoperating revenues:										
Member agency operating subsidies	$ 189,864	$ 195,254	$ 79,751	$ 148,237	$ 116,740	$ 124,737	$ 112,711	$ 111,264	$ 94,632	$ 80,972
Member agency self insurance reserve	$ 19,188	$ 16,840	$ 14,842	$ 14,158	$ 16,629	$ 17,663	$ 16,787	$ 15,909	15,625	16,273
Net gain (loss) on disposal of capital assets	(847)	36	(10,003)	(2,387)	(446)	(8,330)	16	(256)	(1,895)	(603)
Interest and other income	561	(1,864)	(785)	222	247	(30)	3,117	(144)	77	1,771
Total nonoperating revenues	$ 208,766	$ 210,266	$ 83,805	$ 160,230	$ 133,170	$ 134,040	$ 132,631	$ 126,773	$ 108,439	$ 98,413
Capital grants and subsidies	$ 132,071	$ 136,330	$ 213,858	$ 178,785	$ 89,599	$ 82,311	$ 71,836	$ 82,270	$ 56,485	$ 86,203
Operating expenses:										
Train operations and support	$ 203,880	$ 173,074	$ 176,780	$ 187,647	$ 186,965	$ 169,131	$ 175,618	$ 172,310	$ 158,796	$ 151,575
Maintenance of way	55,623	54,295	44,411	44,248	44,072	43,172	38,596	39,558	34,230	29,867
Rehabilitation and renovation - capital	92,022	84,666	49,900	67,550	33,694	39,598	20,815	25,406	22,586	11,782
Gas tax expense	-	-	-	-	-	-	-	-	-	1,684
Third-party agreements	18,128	23,019	17,687	23,904	27,136	24,508	19,602	24,864	19,031	26,607
Insurance and liability claims	11,609	15,647	19,288	7,350	8,264	13,641	12,215	10,311	19,142	15,100
Public liability and property damage	1,562	1,739	1,572	2,915	4,457	10,205	3,775	1,686	2,600	1,173
Other	296	-	-	-	9,114	4,009	-	-	-	-
Depreciation & amortization	51,594	45,475	42,178	50,397	53,134	47,786	43,703	43,758	26,646	31,724
Total operating expenses*	$ 434,714	$ 397,915	$ 351,816	$ 384,011	$ 366,836	$ 352,050	$ 314,324	$ 317,893	$ 283,031	$ 269,512
Increase (decrease) in net position	(25,377)	14,841	(5,760)	59,044	(13,217)	(11,042)	5,817	18,382	7,221	46,908
Cumulative effect of change in accounting principle**	-	-	-	-	-	(5,497)	-	-	(6,340)	-
Fares as a percentage of total operating revenues	50.1%	42.5%	33.5%	60.7%	62.8%	66.3%	72.1%	66.4%	66.3%	65.0%

* In compliance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants are included as a separate component after nonoperating revenue.

** The cumulative effect of change in accounting principle is due to the implementation of GASB 68 in 2015 and GASB 75 in 2018.

Sources of Capital Contributions

Last Ten Fiscal Years

(Dollar amounts in thousands)

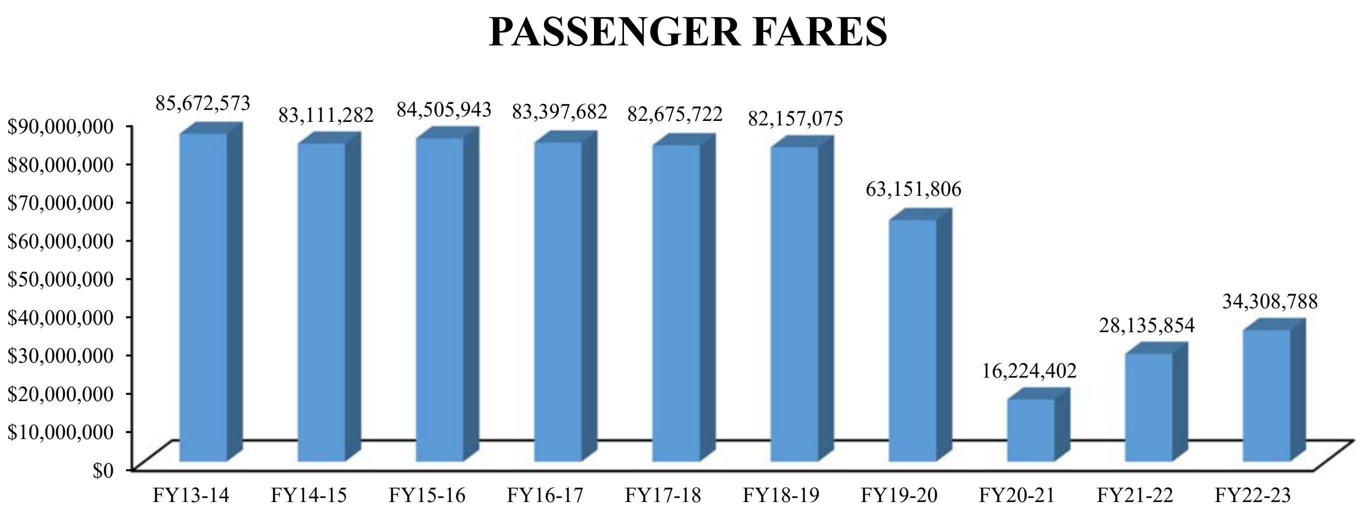
	Years ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Amtrak	-	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FEMA, FHWA	3,687	6,012	522	2,485	418	(80)	80	(57)	3,400	6,518
Federal Transit Administration	15,466	19,943	19,452	26,952	14,774	26,875	15,758	31,734	15,862	15,700
State of California	46,171	58,202	33,581	78,798	24,158	21,472	37,213	29,997	28,620	43,594
L.A.C. Metropolitan Transportation Authority	23,395	21,661	43,308	24,473	13,836	21,810	16,066	10,264	4,127	14,601
Orange County Transportation Authority	(185)	121	90	156	(685)	961	656	119	1,331	2,495
Riverside County Transportation Commission	(1,869)	1,412	445	130	(155)	(31)	368	-	836	162
San Bernardino County Transportation Authority	9,719	4,179	3,274	2,564	1,152	1,677	907	426	631	348
Ventura County Transportation Commission	1,514	1,333	827	401	112	42	-	(1)	2	-
Other capital (CMAQ, AQMD, FRA)	34,173	23,467	112,359	42,826	35,989	9,585	788	9,788	1,676	2,785
Total capital contributions	**$ 132,071**	**$ 136,330**	**$ 213,858**	**$ 178,785**	**$ 89,599**	**$ 82,311**	**$ 71,836**	**$ 82,270**	**$ 56,485**	**$ 86,203**

Debt Service (in thousands)														
Fiscal Year	Operating Revenue	Lease Liability	Subscription (SBITA) Liability	Capital Leases Principal Paid	Capital Leases Interest	Operating Leases Principal Paid	Leases (Post GASB 87) Principal Paid	Leases (Post GASB 87) Interest	Subscription Payments (SBITAs) Principal Paid	Subscription Payments (SBITAs) Interest	Total Lease Payments	Metrolink Ridership	Debt Per Rider*	Coverage Ratio**
2014	131,804	-	-	-	-	2,790	-	-	-	-	2,790	11,749	-	47.24
2015	125,328	-	-	-	-	2,871	-	-	-	-	2,871	11,824	-	43.65
2016	127,232	-	-	-	-	7,870	-	-	-	-	7,870	11,504	-	16.17
2017	115,674	-	-	-	-	5,356	-	-	-	-	5,356	11,640	-	21.60
2018	124,657	-	-	23	-	2,712	-	-	-	-	2,735	11,689	-	45.58
2019	130,850	-	-	130	8	2,954	-	-	-	-	3,092	11,935	-	42.32
2020	104,040	-	-	156	7	3,728	-	-	-	-	3,891	9,359	-	26.74
2021	48,393	15,619	-	-	-	-	974	629	-	-	1,603	2,102	7.43	30.19
2022	66,160	14,669	3,346	-	-	-	950	656	3,173	290	5,069	3,856	4.67	13.05
2023	68,500	13,651	14	-	-	-	1,019	620	3,345	117	5,101	5,075	2.69	13.43

*** Debt per Rider calculated as ((Lease Obligation + SBITA Obligation) / Metrolink Ridership).**

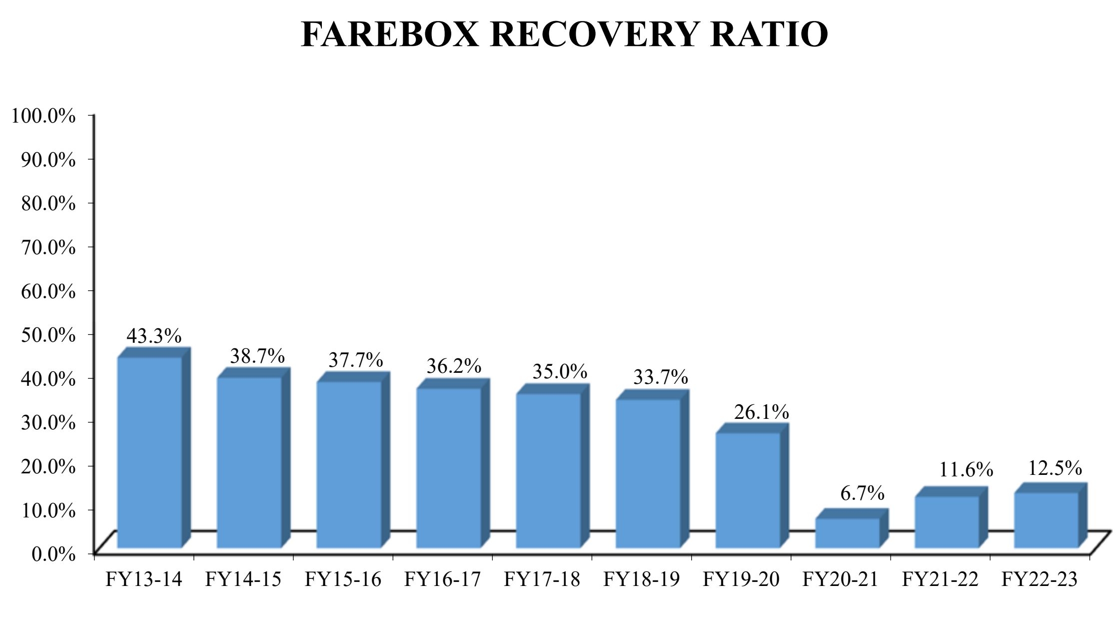
**** Coverage Ratio calculated as (Operating Revenue / Total Lease Payments).**

PASSENGER FARES: 2011-12 THROUGH 2021-23



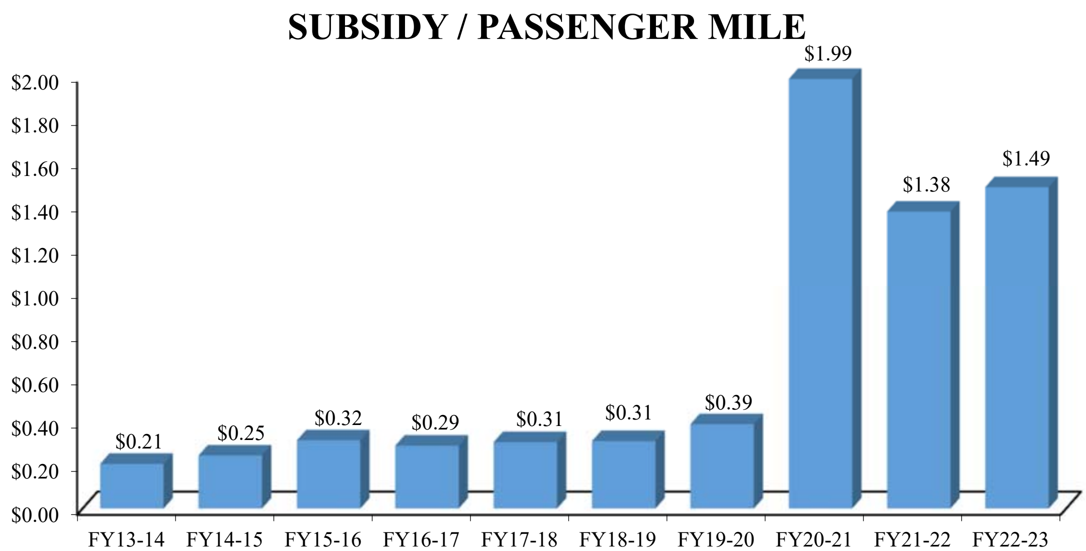
FAREBOX RECOVERY RATIO: 2011-12 THROUGH 2021-23

Farebox recovery is a ratio of fare revenue to direct operating expenses (train operations, maintenance-of-way, including extraordinary maintenance, claims and insurance; excludes gas tax exchange funds, rolling stock lease, third-party activity, and depreciation). The decrease in farebox recovery ratio is due to the decrease in passenger fares and increases in direct operating expenses. During FY20, our ridership – and related fare revenue – declined by nearly 90% during the last quarter of the year due to the COVID-19 pandemic as noted on page 66 under annual ridership.



SUBSIDY/PASSENGER MILE: 2011-12 THROUGH 2021-23

Subsidy per passenger mile is a measure of public funding provided for each passenger mile of travel.



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Demographic and Economic Information

Last Ten Fiscal Years

	YEARS ENDED JUNE 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Population for Counties Served										
Los Angeles County	9,721,138	9,829,544	9,989,165	10,039,107	10,105,518	10,118,759	10,120,540	10,097,037	10,048,408	9,998,105
Orange County	3,151,184	3,167,809	3,184,101	3,175,692	3,185,968	3,179,950	3,170,707	3,153,962	3,130,322	3,108,009
Riverside County	2,473,902	2,458,395	2,422,764	2,470,546	2,450,758	2,417,224	2,382,570	2,347,921	2,317,955	2,288,043
San Bernardino County	2,193,656	2,194,710	2,182,740	2,180,085	2,171,603	2,153,203	2,134,174	2,117,311	2,100,776	2,083,871
Ventura County	832,605	839,784	842,921	846,006	850,967	850,802	848,921	846,922	842,946	838,601
Total Population for Counties Served	18,372,485	18,490,242	18,621,691	18,711,436	18,764,814	18,719,938	18,656,912	18,563,153	18,440,407	18,316,629
Unemployment Rates for Counties Served										
Los Angeles County	4.9	8.9	12.3	4.6	4.6	4.7	5.2	6.6	8.2	9.8
Orange County	3.2	6	9	2.8	3	3.5	4	4.4	5.5	6.6
Riverside County	4.2	7.3	10.2	4.2	4.5	5.2	6.1	6.7	8.2	9.9
San Bernardino County	4.1	7.4	9.7	3.9	4.1	4.9	5.7	6.4	8	9.8
Ventura County	3.7	6.2	8.8	3.7	3.8	4.5	5.2	5.6	6.6	7.9
Average Unemployment Rates for Counties Served	4.0	7.2	10.0	3.8	4.0	4.6	5.2	5.9	7.3	8.8
Per Capita Income for Counties Served										
Los Angeles County	*	74,141	68,272	65,094	62,224	59,058	57,127	55,470	52,233	49,132
Orange County	*	81,034	74,618	71,711	69,268	65,709	63,086	61,219	57,165	54,717
Riverside County	*	51,180	45,834	42,418	40,637	38,975	37,936	36,642	34,753	33,440
San Bernardino County	*	49,493	44,831	42,043	40,316	38,648	37,592	36,311	34,320	32,453
Ventura County	*	73,375	67,422	64,715	61,712	58,761	57,136	55,711	53,031	50,475
Average Per Capita Income for Counties Served	*	65,845	60,195	57,196	54,831	52,230	50,575	49,071	46,300	44,043

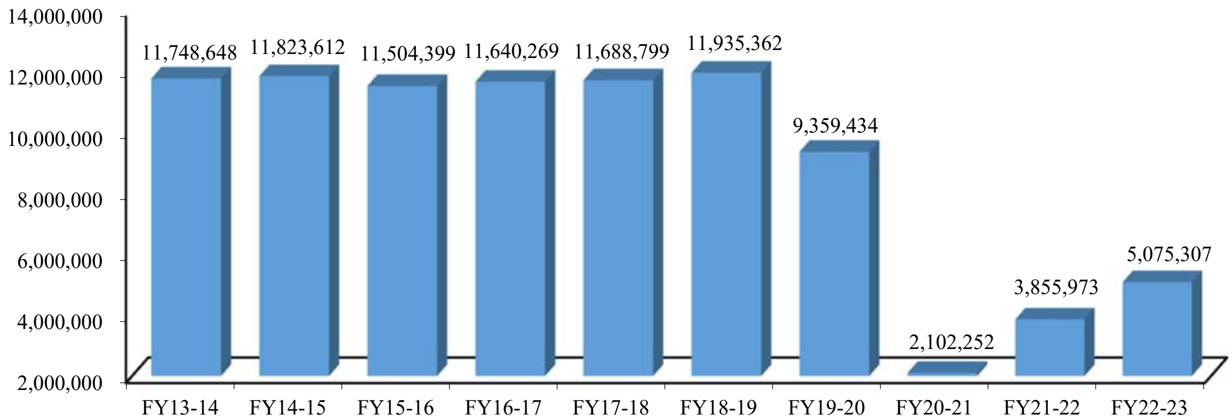
Source: U.S Census Bureau, U.S Department of Commerce Bureau of Economic Analysis, U.S Department of Labor Bureau of Labor Statistics, and SCRRA's Fact Sheet

RIDERSHIP: 2011-12 THROUGH 2021-23

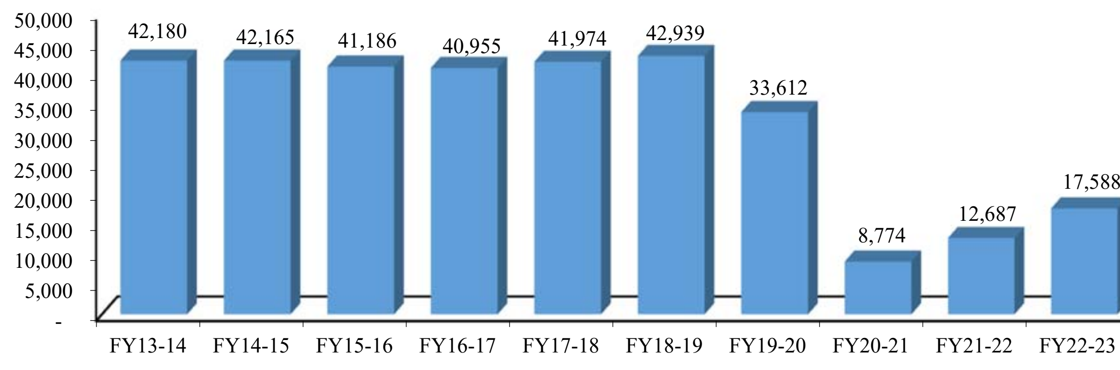
During twenty-six years of Metrolink operations, ridership grew steadily with slight declines in FY 2007 and FY 2008 through FY 2011. In FY 2008, record fuel prices helped drive a significant increase in ridership. During the latter part of FY 2008 through FY 2011, ridership steadily declined, due in large part to the continued weakened economic conditions in the Southern California region as well as nationwide. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and Metrolink ridership began to decline. With the closing of K-12 schools, followed by the California stay-at-home orders on March 19, our ridership – and related fare revenue – declined precipitously; by April, monthly ridership and fare revenue had declined nearly 90% compared to the same month in 2019. This has led to an overall decline of year over year ridership numbers.

The following charts show the number of passengers carried for each of the last ten fiscal years and the average weekday ridership, based on unaudited conductor counts.

ANNUAL RIDERSHIP



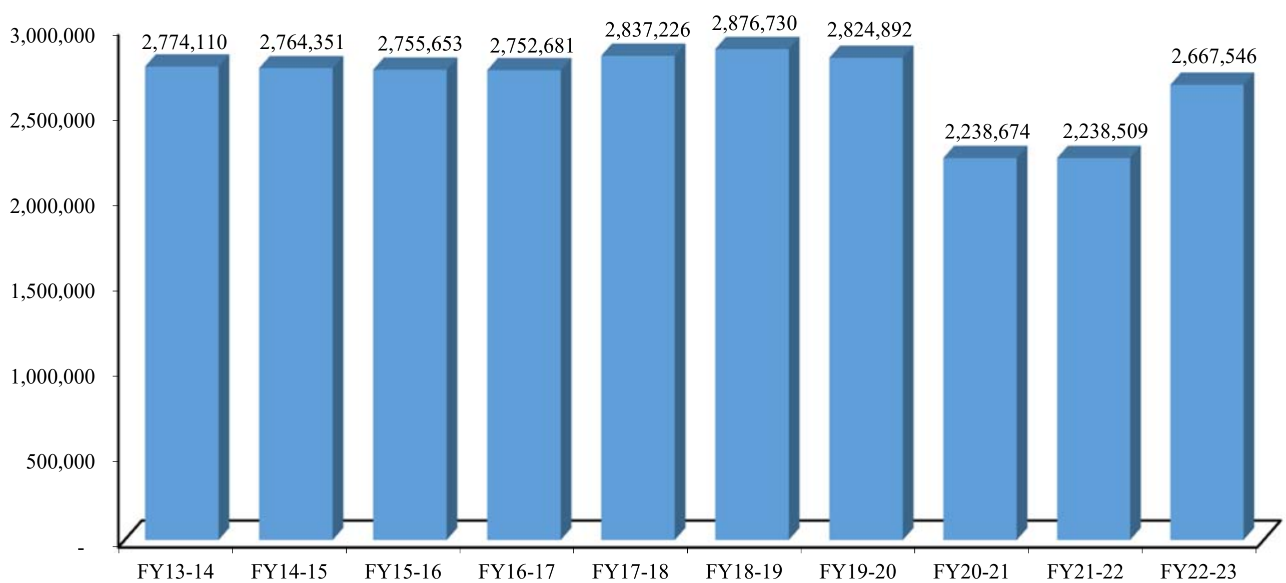
AVERAGE WEEKDAY RIDERSHIP



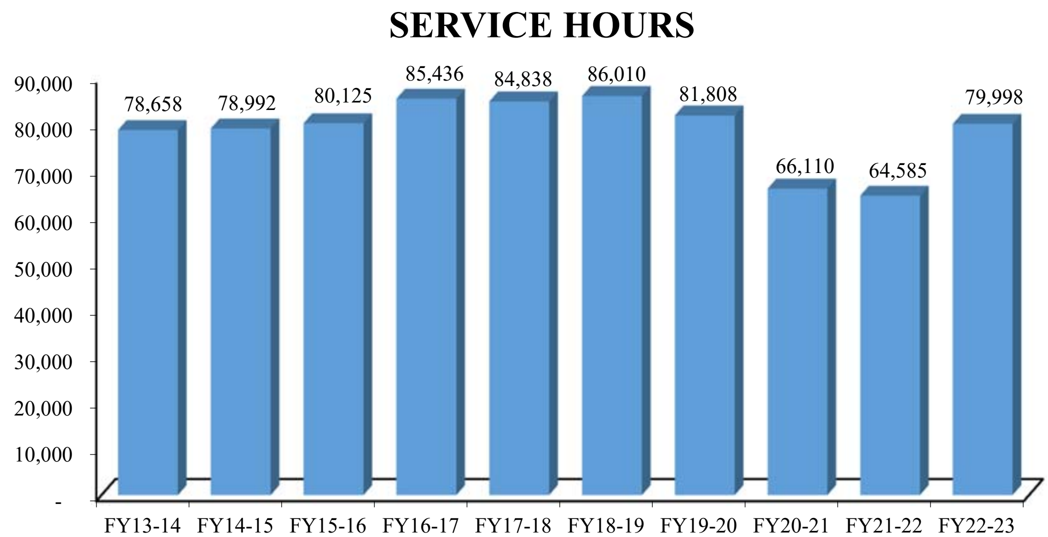
TOTAL TRAIN MILES: 2011-12 THROUGH 2021-23

Until FY 2010, total train miles realized annual yearly increases due to additions of new trains, routes, and train schedules, as well as modifications to existing schedules. These modifications have enhanced overall service and efficiency. Several additional emergency services were started after the Northridge earthquake and many have been retained. In May 2002, the 91 Line was opened, linking Riverside, Fullerton, and downtown Los Angeles. In addition to the 91 Line, additional trains and extended service (including new weekend service) were added to the Antelope Valley line and San Bernardino line. As a result of the decline in ridership and increased operating costs, weekend service was reduced on the Inland Empire Orange County (IEOC) and Orange County lines.

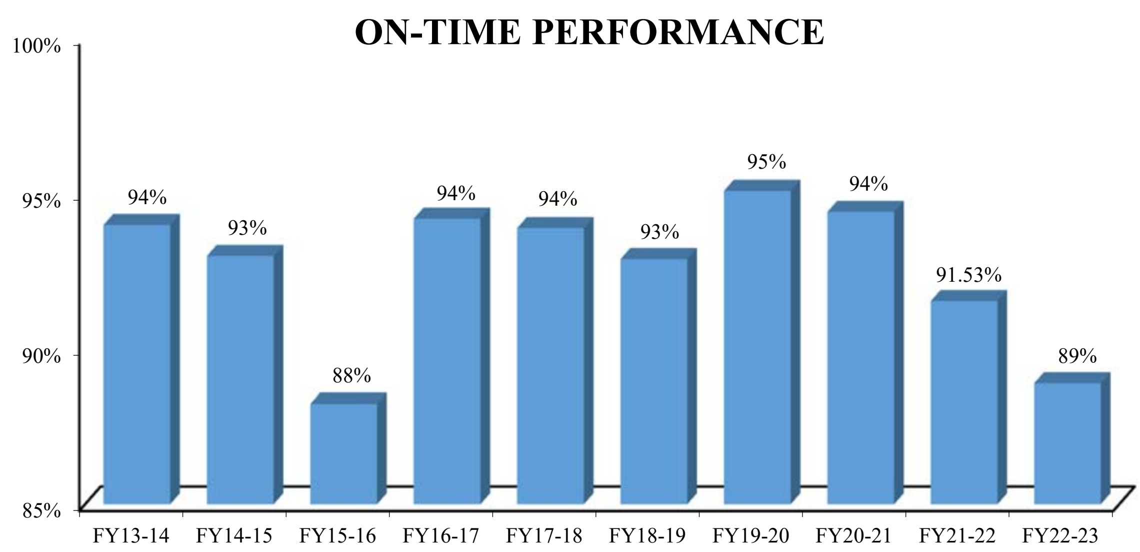
TOTAL TRAIN MILES



SERVICE HOURS: 2011-12 THROUGH 2021-23



ON-TIME PERFORMANCE: 2011-12 THROUGH 2021-23



SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Miscellaneous Statistics

June 30, 2023
(Dollar Amounts in Thousands)

Date of Formation	August 1991		
Form of Government	Joint Powers Authority		
Purpose	To plan, design, construct and administer the operation of regional passenger rail lines.		
Member Agencies	Los Angeles County Metropolitan Transportation Authority		
	Orange County Transportation Authority		
	Riverside County Transportation Commission		
	San Bernardino County Transportation Authority		
	Ventura County Transportation Commission		
Counties Served	Los Angeles County		
	Orange County		
	Riverside County		
	San Bernardino County		
	Northern San Diego County		
	Ventura County		
Fleet and Service Snapshot	Locomotives		60
	Passenger Cars		258
	Diesel Multiple Units*		3
	Stations**		66
	Route Miles		440
	Total Service Line Miles		546
2021-22 Operating Budget (actuals)	Operations	$193,243	
	Maintenance-of-Way	49,982	
	Settlements	3,604	
	Total	$246,829	

Source: SCRRA's FY23 Q4 Fact Sheet and FY22 Operating Budget
* Diesel Multiple Units are used for Arrow Service
**Includes Los Angeles Union Station, which is a hub for all lines except IEOC line.

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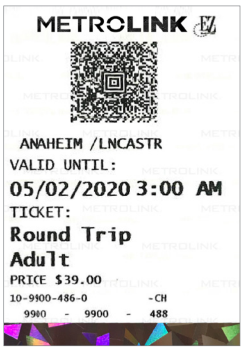
METROLINK

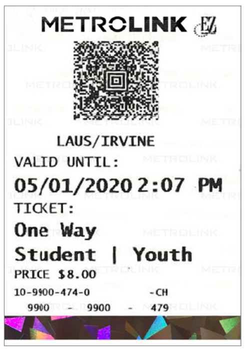
TICKETS QUICK REFERENCE GUIDE

A variety of tickets and passes are available for Metrolink passengers. The type of ticket suited for you will depend on how often you plan to ride Metrolink. All tickets are good for a free transfer from Metrolink to participating, directly connecting transit. One-Way Tickets, Round-Trip Tickets, Saturday and Sunday Day Passes, Holiday Pass, Group Pass, 5 and 10-Day Flex Pass, 7- Day Passes, and Monthly Passes offer increasing discounts off the One-Way price.

ROUND-TRIP TICKET



ONE-WAY TICKET



GROUP TICKET

MONTHLY PASS

7-DAY PASS

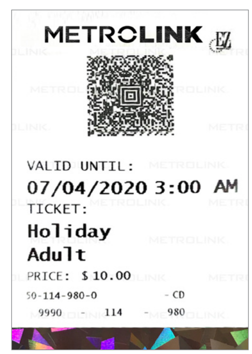
SATURDAY WEEKEND DAY PASS

SUNDAY WEEKEND DAY PASS

5-DAY FLEX PASS

10-DAY FLEX PASS

HOLIDAY PASS



5-DAY FLEX PASS

10-DAY FLEX PASS

MOBILE TICKET

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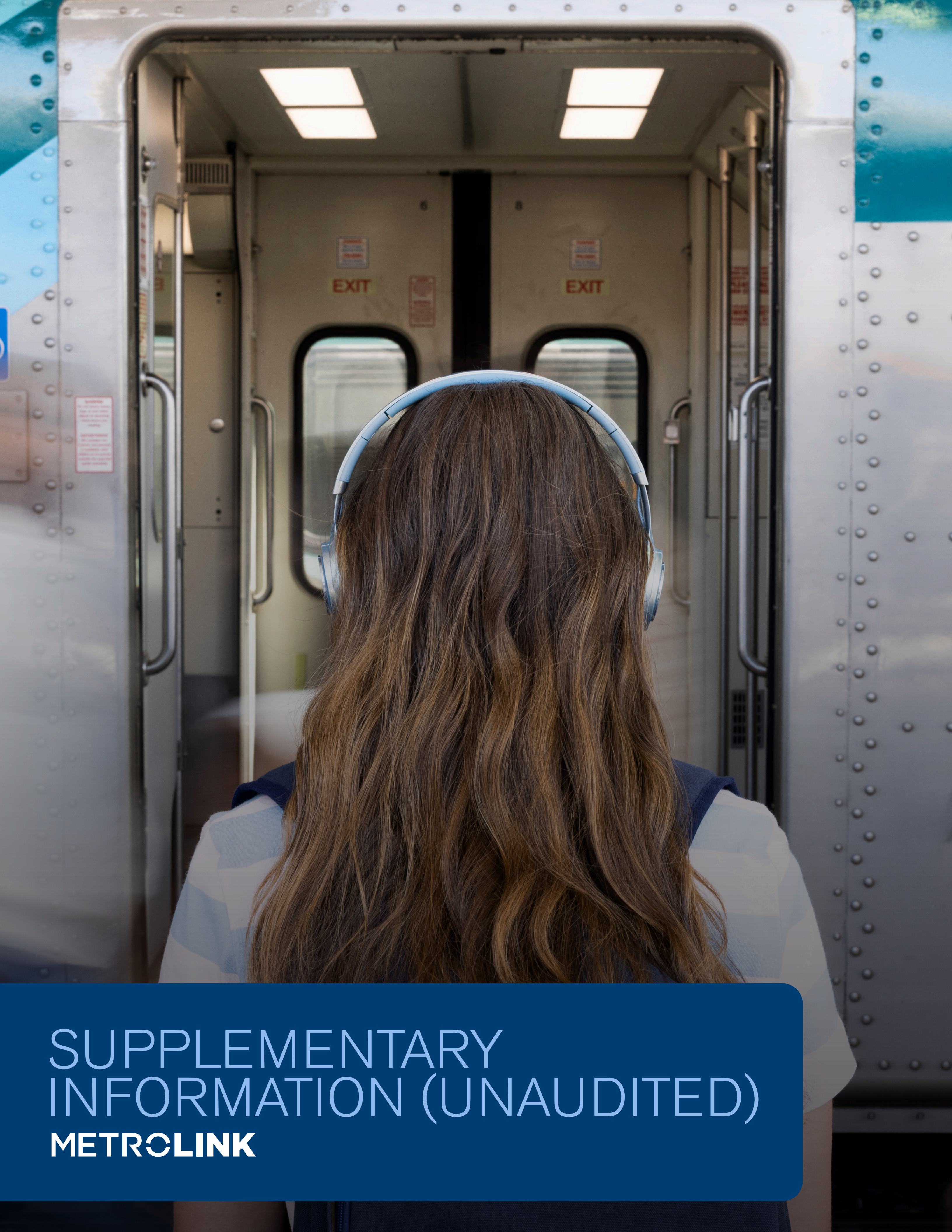

SUPPLEMENTARY INFORMATION (UNAUDITED)

METROLINK

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UNEARNED REVENUE AND ADVANCES ON CAPITAL PURCHASES

The SCRRA Member Agencies contribute the funds necessary to carry out its purposes consistent with the Board-adopted budget and cost sharing formula in addition to funds derived from operations and grants. A preliminary budget for the following fiscal year is submitted to Member Agencies by May 1 of each year and the SCRRA Board must adopt the final budget no later than June 30 of each year. Once SCRRA's annual budget is approved by the Board, each Member Agency pays the annual operating subsidy in advance and on a quarterly basis.

An operating surplus indicates that Member Agencies' operating subsidies exceed their share of actual operating revenues earned and expenses incurred by SCRRA during the year. Conversely, an operating deficit indicates that operating subsidies are less than the Member Agencies' share of actual operating revenues earned and expenses incurred by SCRRA; however, an operating deficit does not result to a receivable from Member Agencies. Any operating surplus or deficit remains an unearned revenue, unless otherwise designated by the Member Agencies.

Unearned revenue also includes capital subsidies, which are advances from member agencies for capital-related projects. Capital subsidies are recognized to the extent of expenses incurred. Remaining subsidies are maintained in unearned revenue until such time as expenses are incurred. Also included within unearned revenue activity are Proposition 1B (Prop 1B), California Transit Security Grant Program (CTSGP), California State Transportation Agency State Rail Assistance Program (CalSTA SRA) and Low Carbon Transit Operations Program (LCTOP) funds, which for accounting purposes, are treated in the same manner as previously described. These funds are received through assignment from various Member Agencies or directly to SCRRA as the primary recipient. See the description of Proposition 1B, CTSGP, CalSTA SRA and LCTOP funds following the unearned revenue activity schedule.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Supplementary Information (Unaudited)
For the years ended June 30, 2023 and 2022

Unearned revenue activity for the years ended June 30, 2022 and 2023, is as follows (in thousands):

	LACMTA	OCTA	RCTC	SBCTA	VCTC	OTHER	TOTAL
Unearned revenue, June 30, 2021	**$ 4,889**	**$ 46,674**	**$ 15,468**	**$ 33,711**	**$ 26,885**	**$ 30,663**	**$ 158,290**
Subsidies invoiced:							
Operating	94,352	35,742	20,519	21,580	12,136		184,328
Public liability and property damage	7,100	3,343	1,404	1,601	432		13,880
Capital	-	-	-	-	-		-
Other	1,288	1,476	310	(309)	(157)		2,608
Federal Subsidies	-	-	-	-	-		-
Subsidies recognized:	(95,640)	(37,217)	(20,829)	(21,271)	(11,979)		(186,937)
Operating	(7,100)	(3,343)	(1,404)	(1,601)	(432)		(13,880)
Public liability and property damage	(232)	-	-	-	1	(9,547)	(9,778)
Capital	-	-	-	-	-	2	2
Other		1,582	-	(3,235)	388		(1,265)
Federal Subsidies							-
Operating surplus activity	(95)	(3,365)	(8,540)	482	274	-	(11,244)
Capital surplus activity	(430)	(0)	0	0	(542)	(232)	(1,204)
Interest allocation	3	-	-	-	0	122	125
Cares activity	-	(33,202)	(6,098)	(7,605)	(2,743)	229	(49,418)
Unearned revenue, June 30, 2022	**$ 4,135**	**$ 11,689**	**$ 830**	**$ 23,354**	**$ 24,264**	**$ 21,237**	**$ 85,508**
Subsidies invoiced:							
Operating	108,362	42,026	24,245	22,719	14,206	-	211,558
Public liability and property damage	7,672	3,962	1,646	1,914	529	-	15,723
Capital	-	-	-	-	-	-	-
Other	(10,504)	(3,713)	(1,319)	(655)	(1,708)	-	(17,899)
Federal Subsidies	-	-	-	-	-	-	-
Subsidies recognized:							
Operating	(99,775)	(38,313)	(22,926)	(22,656)	(12,509)		(196,179)
Public liability and property damage	(7,672)	(3,962)	(1,646)	(1,914)	(529)		(15,723)
Capital	(558)	-	-	-	(126)	(2,580)	(3,264)
Other	-	-	-	-	-	54	54
Federal Subsidies		(8,500)	-	4,000	-		(4,500)
Operating surplus activity	8,184	1,958	1,031	439	1,600	-	13,212
Capital surplus activity	1,609	154	106	541	(75)	(9)	2,326
Interest allocation	5	-	-	-	2	462	469
Cares activity	-	-	-	(17,681)	(2,520)	829	(19,372)
Unearned revenue, June 30, 2023	**$ 11,458**	**$ 5,301**	**$ 1,967**	**$ 10,061**	**$ 23,134**	**$ 19,993**	**$ 71,913**
Unearned revenue component:							
Operating surplus/(deficit)	7,838	3,593	1,162	332	2,275	167	15,367
Preventive maintenance surplus	-	-	-	4,000	-	-	4,000
Operating surplus (due to Cares funds)	-	-	12	841	19,229	1,205	21,287
Capital projects and surplus	3,620	1,708	793	4,888	1,630	18,620	31,259
Unearned revenue, June 30, 2023	**$ 11,458**	**$ 5,301**	**$ 1,967**	**$ 10,061**	**$ 23,134**	**$ 19,993**	**$ 71,913**

Proposition 1B – The Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of $19.9 billion in general obligations bonds was authorized for issuance, the proceeds of which were deposited into the PTMISEA fund for specified purposes, including grants for transit system safety, security, and disaster response projects. Of this amount, $3.6 billion was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, or rolling stock procurement, rehabilitation or replacement.

California Transit Security Grant Program (CTSGP)– Senate Bill 88 of the 2007 Statutes appropriates funds from Proposition 1B to the California Transit Security Grant Program maintained by the California Governor's Office of Emergency Services (Cal OES, formerly CalEMA), to fund grants for eligible purposes. Eligible activities include construction or renovation projects that are designed to enhance the security of public transit stations, tunnels, guideways, elevated structures, or other transit facilities and equipment.

California State Transportation Agency State Rail Assistance Program (CalSTA SRA) – The California State Transportation Agency State Rail Assistance program funds projects that improve rail service for passengers on commuter rail and intercity rail systems in California. Funding for this program comes from Senate Bill 1 (SB 1), the Road Repair and Accountability Act of 2017, which directs a 0.5% portion of new diesel sales tax revenue and allocates half to commuter rail providers and the other half to intercity rail corridors. The majority of program funding is directed by statutory formula to rail operators, with guidelines defining process and timeline for agencies to obtain funding. The SRA Guidelines currently permit commuter operators to apply for a cumulative total of $10.5 million of funding through FY 2019-2020

Low Carbon Transit Operations Program (LCTOP) – The Low Carbon Transit Operations Program is one of several programs that is part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill (SB) 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emissions and improve mobility, with a priority on serving disadvantaged communities. Approved projects in the LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities. SB 862 (Statutes of 2014) appropriated $25 million for LCTOP for FY 2015 and it continuously appropriates 5% of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP beginning in FY 2016.

SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY
Supplementary Information (Unaudited)
For the years ended June 30, 2023 and 2022

	PTMISEA						CTSGP	CalSTA SRA	LCTOP	
	LACMTA	OCTA	RCTC	SBCTA	VCTC	SCRRA	SCRRA	SCRRA	SCRRA	TOTAL
Unexpended funds June 30, 2021	**$ 781**	**$ -**	**$ -**	**$ -**	**$ 123**	**$ 7,120**	**$ 8,490**	**$8,513**	**$ 5,349**	**$ 30,376**
Funds collected	-	-	-	-	-		-	2,709	1,702	4,411
Costs incurred	(75)				1	(3,707)	(6,503)	(1,028)	(2,877)	(14,189)
Interest revenue on unspent funds	3	-	-	-	1	24	31	41	26	126
Unexpended funds, June 30, 2022	**709**	**-**	**-**	**-**	**125**	**3,437**	**2,018**	**10,235**	**4,200**	**20,724**
Funds collected	-	-	-	-	-		(2,003)	8,428	3,997	10,422
Costs incurred	(716)				(127)	(3,498)	-	(6,382)	(2,965)	(13,688)
Interest revenue on unspent funds	7	-	-	-	2	61	(15)	263	154	472
Unexpended funds, June 30, 2023	**-**	**-**	**-**	**-**	**0**	**-**	**-**	**12,544**	**5,386**	**17,930**