



**Metropolitan
Transit
System**

Annual Comprehensive Financial Report

for the Fiscal Years Ended June 30, 2022 and 2021
San Diego, California



San Diego Metropolitan Transit System

San Diego, California

*Annual Comprehensive Financial Report
and Independent Auditors' Report*

For the Years Ended June 30, 2022 and 2021

PREPARED BY SAN DIEGO METROPOLITAN TRANSIT SYSTEM
FINANCE DEPARTMENT

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San Diego Metropolitan Transit System

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INTRODUCTORY SECTION

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Board of Directors and Transit Riders
San Diego Metropolitan Transit System

The annual comprehensive financial report of the San Diego Metropolitan Transit System (MTS) for the fiscal years ended June 30, 2022 and 2021 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. The MTS Board of Directors has established an Audit Oversight Committee to provide an additional level of scrutiny to the preparation of the annual comprehensive financial report. Management of MTS is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of MTS are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

State statutes require an annual audit by independent certified public accountants. The Pun Group LLP, Accountants and Advisors, has been retained to meet this requirement. The goal of the independent audit was to provide reasonable assurance that the financial statements of MTS for the fiscal years ended June 30, 2022 and 2021 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that MTS's financial statements for the fiscal years ended June 30, 2022 and 2021 are fairly presented, in all material respects, in conformity with U.S. GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit was also designed to meet the requirements of a broader, federally mandated "Single Audit" and to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements required the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The reports related specifically to the Single Audit are issued under separate cover.

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



REPORTING ENTITY

The San Diego Metropolitan Transit System was created effective January 26, 1976 to provide the policy setting and overall management coordination of the public transportation system in the San Diego metropolitan service area. This service area encompasses approximately 3 million people residing in a 570 square mile area of San Diego County, including the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, Santee, and San Diego and the unincorporated area of the County of San Diego.

MTS's mission statement, adopted by the Board of Directors, is to enhance the personal mobility of San Diego metropolitan area residents and visitors by:

- Obtaining maximum benefit for every dollar spent.
- Being the community's major public transportation advocate.
- Increasing public transportation usage per capita.
- Taking a customer-oriented approach.
- Implementing capital projects on schedule and within budget.
- Offering high-quality public transportation services.
- Responding to the community's socioeconomic interests.

California law establishes the San Diego Association of Governments (SANDAG) as the planning agency for San Diego County. The responsibility and decision-making for all transportation-related planning, programming and development activities occurs within SANDAG's ten member Transportation Committee. Approved transportation plans and programs are subsequently executed by SANDAG staff. Within this structure, MTS and the North County Transit District (NCTD) focus primarily on operating activities.

MTS is effectively an umbrella agency. MTS owns the assets of San Diego Trolley, Inc. (SDTI) and San Diego Transit Corporation (SDTC), the area's two largest transit operators. These two transit units were formed under California law as not-for-profit public corporations and function as operating subsidiaries of MTS. SDTI and SDTC are considered component units and are blended component units for financial reporting purposes. SDTI operates four Light Rail Transit (LRT) routes: the UC San Diego Blue Line from the UTC Station to San Ysidro at the International Border, the Orange Line from the Courthouse station through Centre City and then east to El Cajon, the Sycuan Green Line from the 12th and Imperial Transit Center Bayside platform to Santee and the SDG&E Silver Line that makes stops along the downtown loop using three restored vintage cars from the 1940's and 1981. SDTI operates on a total of 65 miles of track. SDTC operates 27 routes with an active fleet of 270 buses.

The relationship between MTS and the transit operating subsidiaries, SDTI and SDTC, is formally established through operating agreements and MTS-adopted corporate policies. These agreements and corporate policies specify the roles and responsibilities of each of the organizations and outline the procedures in numerous functional areas including accounting and budgeting, fare setting, marketing and public information, revenue-producing advertising, service contracts, and programming of federal, state and local subsidies. The MTS Board of Directors has the policy-setting responsibility for the operation and development of MTS's transit operating subsidiaries as well as for the planning and approval of capital expenditures by or on behalf of these entities. The day-to-day operating functions, labor matters and maintenance of facilities are managed by the individual transit operators. MTS has centralized and consolidated Security, Planning, Human Resources, Finance, Information Technology, Stores, and Purchasing for MTS and all subsidiaries.

In addition to the bus routes operated by SDTC, MTS is financially accountable for the operation of certain additional bus routes. MTS contracts with outside parties for the operation of 77 fixed-route bus lines and paratransit services with an active fleet of 456 buses. The contracts require full operation and maintenance of the bus services. Contract services are accounted for in the MTS – Contracted Services Fund for financial reporting purposes.

MTS owns the San Diego and Arizona Eastern Railway Company (SD&AE), a not-for-profit railroad holding company entrusted with assets which include 108 miles of rail line and over 2,000 acres of property. MTS has a contract with the San Diego and Imperial Valley Railway Co. (SDIV) for the operation of freight rail services over the UC San Diego Blue Line (downtown San Diego south to San Ysidro) and Orange Line (downtown San Diego east to El Cajon) trolley segments. MTS provides no subsidy to SDIV, but does receive a portion of its gross revenue. SD&AE is considered a blended component unit for financial reporting purposes.

The For-Hire Vehicle Administration (FHV) licenses and regulates taxicabs, jitneys, nonemergency medical, charter, low speed vehicle, and sightseeing for-hire vehicles for the following cities through June 30, 2024: San Diego, National City, El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, Santee and Chula Vista. Although MTS is financially accountable for the operation of FHV, it is fully cost recovery through FHV permit fees.

The MTS Board of Directors is comprised of 15 members with four appointed from the City of San Diego (the Mayor of San Diego and three San Diego City Council Members), two appointed from the City of Chula Vista (the Mayor of Chula Vista and a Chula Vista City Council Member), one appointed from each City Council of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one appointed from the San Diego County Board of Supervisors.

ECONOMIC CONDITION AND OUTLOOK

San Diego's economy showed signs of recovery this past year and an optimistic outlook for the future. San Diego's Gross Domestic Product (GDP) is estimated at \$256 billion in 2021 and for Southern California's real GDP growth to be 4.2% in 2022 and 2.2% in 2023 (UCLA Anderson Forecast, Pandemic continues to influence consumer behavior, affect economy on national, state and local levels, December 2021). However with the reopening of the economy, the supply chain disruption and greater consumer demand for goods has caused higher inflation, food is up 9.6 percent, energy 39.9 percent and all other items 6.0 percent. In addition, we are seeing higher interest rates which are impacting auto loans, consumer loans and mortgages. According to the San Diego Tourism Authority (SDTA), San Diego concluded 2021 with 23.8 million visitors, an increase from 14.3 million in 2020 but 32 percent less than the 35.1 million pre-pandemic visitors in 2019. Total visitation to San Diego is expected to reach 87 percent of 2019 visitation in 2022 with 30.7 million visitors. The region includes the largest concentration of U.S. military in the world, making the military presence an important driver of the region's economy. In addition, San Diego is a thriving hub for the life sciences/biomedical and technology-oriented industries. The unemployment rate was 3.2% in June 2022, down from 7.0% in 2021, and significantly lower than the 13.9% in 2020 when the pandemic started. San Diego compares favorably to both the unemployment rate in California and the nation during the same period.

Long-term financial planning

The long-term goal of MTS is to fund operations solely with recurring revenues, but for the next few years that will not be the case. The global COVID-19 pandemic continues to have a dramatic effect on MTS operations. The primary impact has been on ridership and the associated fare revenue, the approved FY22 budget assumed a 50% reduction in fare revenues compared to the pre-pandemic run rate, a drop from \$99.3 million to \$49.5 million. With the midyear budget amendment, the passenger fare revenue forecast was increased to \$55.5 million, including a Free Ride Month in September 2021 that will be discussed below, as MTS did experience consistent growth of riders returning to the system. Overall, ridership increased by 47% in FY22 compared to FY21, and passenger fare revenue finished at \$56.1 million, however both ridership and passenger fare revenue are still well below the pre-pandemic baselines. At this point, the pandemic's effects on passenger fare revenues are expected to continue into FY25. Sales tax receipts for the region continued to be very strong in FY22, with State Transit Assistance (STA), Transportation Development Act (TDA) and TransNet funding all exceeding the original FY22 targets. On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$25 billion to the transit industry nationwide. MTS was apportioned \$220 million in CARES Act funding, which will be utilized over multiple fiscal years to supplement lost revenues and increased expenses related to the pandemic. MTS has so far utilized \$90.1 million of CARES funding to supplement lost revenues, \$17.9 million in FY20, \$72.1 million in FY21 and \$0.1 million in FY22. On March 11, 2021, the President signed American Rescue Plan Act of 2021 (ARP) Act, which provided \$30.5 billion to support the nation's public transportation systems as they continue to respond to the COVID-19 pandemic. MTS was apportioned \$140 million of ARP funding, of which MTS has utilized \$47.6 million in FY22. The FY23 approved budget assumes \$37.3 million of ARP/CARES funding will be utilized, leaving a balance of approximately \$185 million for future fiscal years. Additionally, MTS has a contingency reserve balance of 12.5% of the operating budget at its disposal.

Major Initiatives

MTS and North County Transit District (NCTD) officially launched the region's brand-new PRONTO fare collection system on September 1, 2021. Under development for four years, the new PRONTO system is more convenient, with new rider-requested functionality, and a 'best fare' system that automatically calculates the best possible fare. With PRONTO, fares are capped at \$6 per day or \$72 per month for adult passes (\$3/day and \$23/month for seniors, riders with disabilities, and youth). Passengers simply tap or scan each time they ride, and the system will automatically deduct the appropriate fare. Other new rider-friendly features include:

- Free transfers – one-way fares are valid for unlimited transfers between buses and trolleys for up to two hours.

- Pay-as-you-go capabilities – riders no longer need to pay upfront for passes and can load just what they need for the day.
- Instant account reloads – funds added to PRONTO accounts can be accessed instantly through the new account-based system.
- Increased retail network – at launch, card purchases were available at participating Vons and Albertsons, as well as more than 70 other retail outlets.

MTS and NCTD celebrated the launch of PRONTO with Free Rides in September 2021 for riders with a PRONTO card or the PRONTO mobile application. The month-long Ride Free with PRONTO September promotion offered to help riders transition to the new system, and the agencies distributed more than 120,000 PRONTO cards and 100,000 app downloads for free between August and September to prepare riders for the transition. MTS also experienced a 14% ridership increase in that month.

After five years of building and certifying new vehicles, adding more staff, conducting training and testing, MTS and SANDAG launched the UC San Diego Blue Line Extension to the University City community on November 21, 2021. The 11-mile extension features nine new stations, serving major activity centers such as the Veterans Administration Medical Center, UCSD, and Westfield UTC. The project is funded by TransNet and the Federal Transit Administration (FTA) New Starts Program. MTS offered free rides on the Trolley all day long on opening day. More than 85,000 people rode the Trolley, a major increase over normal Sundays. MTS also partnered with SANDAG on a community celebration next to the new UC San Diego Central Campus Station, which more than 10,000 people attended.

MTS made a historic commitment to reduce Greenhouse Gas (GHG) emissions in September 2020 when the MTS Board unanimously approved a transition plan to convert all of the agency's 800 buses to zero emission buses (ZEB) by 2040. The transition plan will serve as the agency's blueprint to transition all vehicles in the fleet to zero-emissions. MTS now has a total of eight electric buses in its fleet and individual bus chargers at all four bus divisions. In order to facilitate the full transition, MTS is bringing the latest charging technology and most innovative solutions for zero-emission buses in the region. In May 2022, MTS began construction on an \$8.5 million overhead gantry charging system at the South Bay Bus Operations & Maintenance Facility in Chula Vista. This system is capable of charging 24 battery-electric buses at a time, and it is expandable to add more charging capacity as MTS transitions its fleet to all electric over the coming years. MTS will be installing the Schunk SLS 301 series Depot Charging Pantograph, which offers a quicker and safer hands-free electric vehicle charge. Buses can be docked in the depot in seconds and fully charged in just a few hours. This offers advantages for efficient operations for a clean energy fleet. Construction is expected to be completed by early 2023, just in time for the new Iris Rapid route, which will consist of 60-foot electric buses serving one of the busiest South Bay corridors between Imperial Beach and Otay Mesa. MTS has plans to build similar overhead gantry charging systems at its other bus facilities by 2028.

MTS has five current bus divisions distributed throughout the service area, but all divisions are at-capacity. Any service increases and the transition to zero-emission buses will require additional capacity, leading MTS to begin its search for a sixth division, which will be named the Clean Transit Advancement Campus (CTAC). Analysis recommends a central site along the I-805 corridor to optimize operations, closest to future service expansion. MTS requires 10-12 acres for up to 250 buses and 600 employees for the next generation CTAC, which would be dedicated to just electric bus charging for ultimate 100% ZEB operation.

In February 2022, the MTS Board approved a contract with Pueblo Planning to conduct a Social Equity Listening Tour. This tour is a public engagement effort to understand community narratives around equity, public transit and MTS; to identify areas of concern for MTS audiences as it relates to equity at-large (housing, food access, medical care, etc.); and identify top transportation system priorities for communities within MTS's service area. Pueblo Planning will develop a comprehensive report on community narratives and findings to present back to the MTS Board in Fall of 2022. MTS expects to allocate \$3 million of spending from the FY23 Capital Improvement Program (CIP) towards outcomes and recommendations from the Social Equity Listening Tour.

AWARDS AND ACKNOWLEDGMENTS



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MTS for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the sixteenth consecutive year and the twenty-sixth year overall that MTS has achieved this prestigious award. To be awarded a Certificate of Achievement, MTS must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The staff of the finance department is to be commended for their efficient and dedicated service to the production of this report. In addition, we express our appreciation for the assistance and cooperation provided by management and staff in all departments throughout the organization.

A handwritten signature in blue ink that reads "Sharon Cooney".

Sharon Cooney
Chief Executive Officer

A handwritten signature in black ink that reads "Larry Marinesi".

Larry Marinesi
Chief Financial Officer

November 3, 2022

San Diego Metropolitan Transit System

Listing of Board of Directors and Management

BOARD OF DIRECTORS

Members	Board position (elected position)
Nathan Fletcher	Chair, since 1/20; Board Member, since 1/19 (Supervisor, County Board of Supervisors)
Alejandra Sotelo-Solis	Vice Chair, since 1/20; Board Member, since 11/19 (Mayor, City of National City)
Mary Salas	Chair Pro Tem, since 1/21, Board Member, since 2/13 (Mayor, City of Chula Vista)
Paloma Aguirre	Board Member, since 12/18 (Councilmember, City of Imperial Beach)
Sean Elo-Rivera	Board Member, since 12/20 (Councilmember, City of San Diego)
Caylin Frank	Board Member, since 12/18 (Councilmember, City of Poway)
Jill Galvez	Board Member, since 1/19 (Councilmember, City of Chula Vista)
George Gastil	Board Member, since 1/21 (Councilmember, City of Lemon Grove)
Todd Gloria	Board Member, since 12/20 (Mayor, City of San Diego)
Steve Goble	Board Member, since 1/17 (Councilmember, City of El Cajon)
Ronn Hall	Board Member, since 5/17 (Councilmember, City of Santee)
Monica Montgomery Steppe	Board Member, since 12/18 (Councilmember, City of San Diego)
Vivian Moreno	Board Member, since 12/18 (Councilmember, City of San Diego)
Bill Sandke	Board Member, since 1/17 (Councilmember, City of Coronado)
Jack Shu	Board Member, since 5/21 (Mayor, City of La Mesa)

BOARD COMMITTEE MEMBERSHIP

Executive Committee	Accessible Services Advisory Committee	Airport Authority Advisory Committee	Public Security Committee
Nathan Fletcher, Chair Sean Elo-Rivera Ronn Hall Vivian Moreno Mary Salas Bill Sandke Alejandra Sotelo-Solis	Alejandra Sotelo-Solis, Chair	Bill Sandke	Monica Montgomery Steppe, Chair Paloma Aguirre Sean Elo-Rivera Jill Galvez Todd Gloria Steve Goble Ronn Hall
Audit Oversight Committee	Budget Development Committee	Los Angeles-San Diego Rail Corridor Agency	Taxicab Advisory Committee
Nathan Fletcher, Chair Sean Elo-Rivera Ronn Hall Vivian Moreno Mary Salas Bill Sandke Alejandra Sotelo-Solis	Vivian Moreno, Chair Nathan Fletcher Todd Gloria Mary Salas Bill Sandke	Caylin Frank	Sean Elo-Rivera, Chair
SANDAG Board	SANDAG Regional Planning Committee	SANDAG Transportation Committee	
Paloma Aguirre	Jill Galvez	Vivian Moreno	

San Diego Metropolitan Transit System

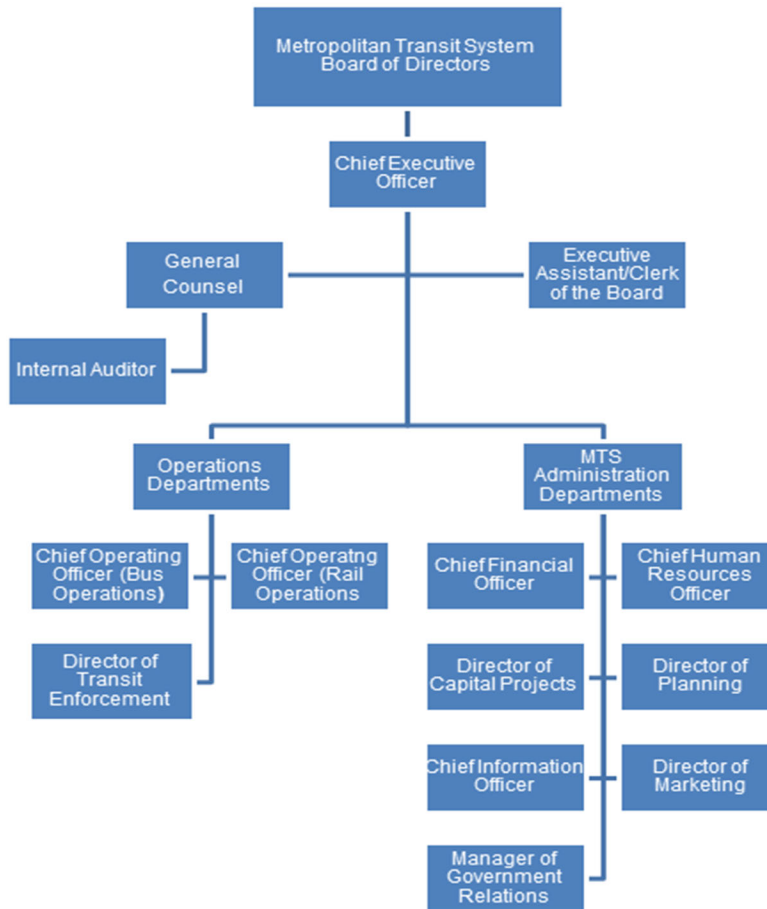
Listing of Board of Directors and Management (Continued)

MTS MANAGEMENT

Staff	Position
Sharon Cooney	Chief Executive Officer
Karen Landers	General Counsel
Larry Marinesi	Chief Financial Officer
Mike Wygant	Chief Operating Officer, Transit Systems
E. Wayne Terry	Chief Operating Officer, Rail
Jeff Stumbo	Chief Human Resources Officer
Emily Outlaw	Chief Information Officer
Denis Desmond	Director, Planning
Mark Olson	Director, Marketing and Communications
Heather Furey	Director, Capital Projects
Al Stiehler	Director, Transit Enforcement
Julia Tuer	Manager of Government Relations

San Diego Metropolitan Transit System

Executive Level Organization Chart



San Diego Metropolitan Transit System

Certificate of Achievement for Excellence in Financial Reporting - GFOA



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San Diego Metropolitan Transit System
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Metropolitan Transit System ("MTS"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the MTS, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 MTS, 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 opinions.

Emphasis of a Matter

Implementation of GASB Statement No. 87

As described in Note 1H and 1P to the basic financial statements, MTS implemented GASB Statement No. 87, *Leases*. The implementation of GASB Statement No. 87 requires MTS to record leases receivable and corresponding lease-related deferred inflows of resources as well as "right-to-use" lease assets and leases payable for all leases in excess of one year. 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.

Auditors' 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 opinions. 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.

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 MTS'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.

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 generally accepted 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 MTS'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 MTS'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability and Related Ratio, Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Contributions – Pension Plans, and Schedules of Changes in Total OPEB Liability and Related Ratios 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise MTS's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are 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 and *Government Auditing Standards*. In our opinion, the combining and individual nonmajor fund financial statements are 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 opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic 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 November 3, 2022, on our consideration of MTS'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 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 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 MTS's internal control over financial reporting and compliance.



San Diego, California
November 3, 2022

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San Diego Metropolitan Transit System

Management's Discussion and Analysis (Unaudited)

June 30, 2022 and 2021

The following discussion and analysis of the financial performance of the San Diego Metropolitan Transit System (MTS) is intended to provide an overview of MTS's financial activities for the fiscal years ended June 30, 2022 and 2021. This information should be used in conjunction with the Letter of Transmittal, which can be found on pages i through v of this report.

Financial Highlights

- Net position, as reported in the statement of net position, totaled \$3,495 million as of June 30, 2022, \$1,919 million as of June 30, 2021 and \$1,863 million as of June 30, 2020. Of this amount, \$9.7 million was unrestricted as of June 30, 2022, \$(45) million was the unrestricted deficit as of June 30, 2021 and \$(12) million was the unrestricted deficit as of June 30, 2020. Total net position increased by \$1.576 billion in the current year and increased by \$56 million in the prior year. The current year increase is primarily due to a \$1.62 billion in contributed capital from SANDAG for the new UCSD Trolley Line, a \$46 million increase in cash and a \$53 million decrease in the aggregate net pension liability.
- For the year ended June 30, 2022, the combined farebox recovery ratio (the measure of the ability to recover operating costs through fare revenue) for San Diego Trolley, Inc., San Diego Transit Corporation, and MTS – Contracted Services was 17.95% compared to 16.10% for the year ended June 30, 2021 and 28.05% for the year ended June 30, 2020. The current year increase is primarily due to an \$8 million increase in passenger revenue due to ridership starting to rebound after the COVID-19 pandemic.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MTS's financial statements. The financial statements are comprised of two components: 1) financial statements and, 2) notes to financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

Financial statements. The financial statements are designed to provide readers with a broad overview of MTS's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of MTS's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of MTS is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* presents information showing the sources and uses of cash related to operating activities, noncapital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Since MTS's primary function is to provide transportation services to the region's citizens and recover costs through user fees and charges, the financial statements include business-type activities. In addition, the financial statements include not only MTS itself (*known as the primary government*), but also two legally separate transit operators and one legally separate freight railway, for which MTS is financially accountable: San Diego and Arizona Eastern Railway Company (SD&AE).

MTS has fiduciary responsibility over one private purpose trust fund, San Diego Transit Corporation Employee Retirement Plan, which we have also included financial statements for.

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2022 and 2021

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Other information. In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning MTS's net pension liability and net other post-employment benefits liability for its employees.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial stability. In the case of MTS, net position was \$3,495 million at the close of the most recent fiscal year and \$1,919 million at the end of FY2021.

The largest portion of MTS's net position reflects the investment in capital and leased assets, net of accumulated depreciation and amortization and reduced by any outstanding bonds or other borrowings and deferred inflows and outflows of resources (Net Investment in Capital Assets and Lease Assets). Most of the investment in capital and leased assets is comprised of trolley system assets, buses, and construction-in-progress totaling \$112 million, of which the largest projects are the replacement of our SD100 Light Revenue Vehicles and the RTMS Hardware Upgrade project, at \$61.0 and \$9.4 million respectively. Prior year construction-in-progress totaled \$160 million, of which the largest projects were the replacement of our SD100 Light Revenue Vehicles and the new Fare System project, at \$99.3 and \$19.1 million respectively. The capital assets that are represented by construction-in-progress will be used to provide services to citizens; consequently, these assets are not available for future spending. In FY2022, MTS transferred completed projects worth \$122.2 million to SDTC, SDTI and MTS – Contracted Services compared to \$80.1 million in FY2021.

The balance in the unrestricted component of net position increased by \$55.2 million during the current year and decreased by \$33 million in the prior year. Total assets increased by \$1.6 billion primarily due to capital and leased assets increasing by \$1.5 billion, as well as cash increasing by \$46 million. In FY2021, total assets increased by \$206 million. In the current fiscal year, total liabilities decreased by \$44.7 million primarily due to decreases in net pension liability of \$53 million and accounts payable of \$7 million, partially offset by a \$16 million increase in unearned revenue. In the previous year, total liabilities increased by \$27 million.

	2022	2021 as restated	Change	2020 as restated	Change
Current and other assets	\$ 326,475,613	\$ 265,750,074	\$ 60,725,539	\$ 295,719,244	\$ (29,969,170)
Noncurrent and capital assets and lease assets	3,539,781,680	2,022,537,752	1,517,243,928	1,933,100,620	89,437,132
Total assets	<u>3,866,257,293</u>	<u>2,288,287,826</u>	<u>1,577,969,467</u>	<u>2,228,819,864</u>	<u>59,467,962</u>
Deferred outflows of resources	40,858,756	56,237,682	(15,378,926)	44,104,664	12,133,018
Current and other liabilities	88,597,657	78,959,781	9,637,876	73,806,114	5,153,667
Long-term liabilities outstanding	236,068,397	290,452,535	(54,384,138)	277,822,273	12,630,262
Total liabilities	<u>324,666,054</u>	<u>369,412,316</u>	<u>(44,746,262)</u>	<u>351,628,387</u>	<u>17,783,929</u>
Deferred inflows of resources	87,910,919	56,184,717	31,726,202	58,781,856	(2,597,139)
Net position:					
Net investment in capital assets and lease assets	3,484,795,667	1,964,358,710	1,520,436,957	1,874,473,394	89,885,316
Restricted	-	-	-	218,452	(218,452)
Unrestricted (deficit)	9,743,409	(45,430,235)	55,173,644	(12,177,561)	(33,252,674)
Total net position	<u>\$ 3,494,539,076</u>	<u>\$ 1,918,928,475</u>	<u>\$ 1,575,610,601</u>	<u>\$ 1,862,514,285</u>	<u>\$ 56,414,190</u>

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2022 and 2021

The increase in operating revenue is attributable to \$8 million in additional passenger revenue this year due to an increase in ridership after a significant drop last year related to the COVID-19 pandemic. While nonoperating revenues were consistent between FY2022 and FY2021, Federal revenue dropped by \$62 million while TDA and TransNet increased by \$27 million and \$18 million, respectively. Operating expenses increased by \$61 million, \$45 million of that increase is in depreciation expense for the new trolley line. Along with depreciation, energy costs increased by \$8 million and outside services increased by \$7 million.

	2022	2021 as restated	Change	2020 as restated	Change
Revenues:					
Operating revenues:					
Passenger revenue	\$ 56,076,882	\$ 47,913,391	\$ 8,163,491	\$ 79,531,924	\$ (31,618,533)
Other operating revenue	21,357,795	18,424,202	2,933,593	20,654,170	(2,229,968)
Nonoperating revenues:					
Federal revenue	141,982,464	203,821,648	(61,839,184)	90,452,130	113,369,518
Transportation Development Act	124,385,030	97,873,145	26,511,885	105,032,033	(7,158,888)
State Transit Assistance	34,878,787	30,355,674	4,523,113	28,595,958	1,759,716
State revenue - other	9,558,324	5,995,304	3,563,020	29,636,442	(23,641,138)
<i>TransNet</i> funds	61,651,134	44,062,481	17,588,653	40,315,353	3,747,128
Other nonoperating revenue	13,852,495	15,308,638	(1,456,143)	22,814,986	(7,506,348)
Total revenues	463,742,911	463,754,483	(11,572)	417,032,996	46,721,487
Expenses:					
Operating expenses	506,296,707	445,664,494	60,632,213	442,529,161	3,135,333
Nonoperating expenses	538,322	685,518	(147,196)	1,190,124	(504,606)
Total expenses	506,835,029	446,350,012	60,485,017	443,719,285	2,630,727
Income (loss) before capital contributions	(43,092,118)	17,404,471	(60,496,589)	(26,686,289)	44,090,760
Capital contributions	1,618,702,719	39,009,719	1,579,693,000	119,225,007	(80,215,288)
Increase (decrease) in net position	1,575,610,601	56,414,190	1,519,196,411	92,538,718	(36,124,528)
Net position:					
Beginning of year	1,918,928,475	1,862,514,285	56,414,190	1,769,975,567	92,538,718
End of year	\$3,494,539,076	\$1,918,928,475	\$1,575,610,601	\$1,862,514,285	\$ 56,414,190

San Diego Metropolitan Transit System
Management's Discussion and Analysis (Unaudited) (Continued)
June 30, 2022 and 2021

Capital Assets and Lease Assets and Debt Administration

Capital assets and lease assets. MTS's investment in capital and leased assets net of accumulated depreciation and amortization as of June 30, 2022 and 2021 amounted to \$3,496 million and \$1,977 million, respectively. This investment in capital assets and lease assets includes land, buildings, vehicles, equipment, "right-to-use" lease assets, and construction-in-progress. Major capital asset and lease asset events during the current fiscal year included the following:

- MTS capitalized the new PRONTO fare collection system for the region for a total of \$26.1 million in FY22, as well as disposing of the legacy Compass fare collection system at \$27.7 million.
- MTS continues to modernize the bus and rail fleet. In FY2022, MTS placed 37 new buses into service totaling \$24.0 million, and 13 new trolleys totaling \$55.7 million.
- SANDAG contributed the UCSD Mid-Coast Trolley Line Extension to MTS totaling \$1.6 billion. The 11-mile extension features nine new stations from Old Town north to the UTC Transit Center.

CAPITAL ASSETS and LEASE ASSETS
(Net of Accumulated Depreciation)

	2022	2021 as restated	2020 as restated
Land	\$ 252,301,976	\$ 256,909,683	\$ 256,909,683
Buildings	2,444,482,549	948,397,397	1,002,480,694
Vehicles	591,175,323	562,666,289	504,332,108
Equipment & other	84,987,183	37,821,183	46,743,493
Lease assets	11,034,527	11,428,116	12,010,643
Construction-in-progress	111,978,852	159,868,381	63,664,690
Total	\$ 3,495,960,410	\$ 1,977,091,049	\$ 1,886,141,311

Additional information on MTS's capital and leased assets can be found in Note 5 to the financial statements.

Long-term debt. MTS has one finance obligation outstanding relating to Pension Obligation Bonds issued in fiscal year 2005 for a total obligation of \$4.83 million.

Additional information about MTS's long-term debt can be found in Note 8 to the financial statements.

Bond Ratings

Standard & Poor's Ratings Services constantly monitors and maintains an underlying rating for the Pension Obligation Bonds, the current rating remains at "AA/Stable." Additional information on MTS's long-term debt can be found in Note 8 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of MTS's finances for all those with an interest in the government's finances. If you have questions concerning any of the information provided in this report or need additional financial information, visit our website at www.sdmts.com or direct inquiries to the Controller, MTS, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

BASIC FINANCIAL STATEMENTS

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PRIMARY GOVERNMENT

San Diego Metropolitan Transit System
Statements of Net Position
June 30, 2022 and 2021

ASSETS	2022	2021 (as restated)
Current assets:		
Cash and cash equivalents	\$ 110,932,746	\$ 68,815,127
Cash and cash equivalents restricted for capital support	26,020,685	22,354,579
Accounts and other receivables	8,416,285	11,688,068
Due from other governments	143,588,651	128,431,156
Lease receivable	1,625,433	1,512,606
Inventory	31,706,205	29,316,441
Prepaid items and other current assets	4,185,608	3,632,097
Total current assets	326,475,613	265,750,074
Noncurrent assets:		
Lease receivable, due in more than one year	43,821,270	45,446,703
Capital assets and lease assets, net	3,495,960,410	1,977,091,049
Total noncurrent assets	3,539,781,680	2,022,537,752
Total assets	3,866,257,293	2,288,287,826
DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows of resources	34,476,563	50,310,809
OPEB-related deferred outflows of resources	6,382,193	5,926,873
Total deferred outflows of resources	40,858,756	56,237,682
LIABILITIES		
Current liabilities:		
Accounts payable	21,946,675	29,343,181
Due to other governments	2,770,615	2,420,143
Unearned revenue	35,412,684	19,400,207
Accrued expenses	2,948,021	4,122,828
Retentions payable	9,043	1,315,730
Retentions payable from restricted assets	8,531,874	8,531,874
Due within one year:		
Lease liability	270,898	260,909
Compensated absences	7,176,923	6,350,951
Accrued damage, injury, and employee claims	6,545,924	4,378,958
Long-term debt	2,985,000	2,835,000
Total current liabilities	88,597,657	78,959,781
Noncurrent liabilities:		
Due in more than one year:		
Lease liability	10,884,802	11,155,700
Compensated absences	4,474,478	5,536,981
Accrued damage, injury, and employee claims	14,987,385	12,140,335
Long-term debt	1,845,000	4,830,000
Aggregate net pension liabilities	150,120,700	203,057,858
Aggregate total OPEB liabilities	53,756,032	53,731,661
Total noncurrent liabilities	236,068,397	290,452,535
Total liabilities	324,666,054	369,412,316
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	34,375,291	3,100,715
OPEB-related deferred inflows of resources	7,316,739	4,981,641
Lease-related deferred inflows of resources	46,218,889	48,102,361
Total deferred inflows of resources	87,910,919	56,184,717
NET POSITION		
Net investment in capital assets and lease assets	3,484,795,667	1,964,358,710
Unrestricted (deficit)	9,743,409	(45,430,235)
Total net position	\$ 3,494,539,076	\$ 1,918,928,475

See accompanying notes to basic financial statements.

San Diego Metropolitan Transit System
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021 (as restated)
Operating Revenues:		
Passenger revenue	\$ 56,076,882	\$ 47,913,391
Advertising	1,945,816	1,012,753
Miscellaneous	19,411,979	17,411,449
Total operating revenues	77,434,677	66,337,593
Operating Expenses:		
Personnel costs	143,949,609	151,560,742
Outside services	118,280,875	111,280,298
Transit operations funding	616,396	397,124
Materials and supplies	14,778,642	16,334,099
Energy costs	38,975,438	31,261,976
Risk management	11,538,889	5,584,272
Miscellaneous	6,333,928	4,750,194
Depreciation	171,822,930	124,495,789
Total operating expenses	506,296,707	445,664,494
Operating (Loss)	(428,862,030)	(379,326,901)
Public Support and Nonoperating Revenues (Expenses):		
Federal revenue	141,982,464	203,821,648
Transportation Development Act (TDA) funds	124,385,030	97,873,145
State Transit Assistance (STA) funds	34,878,787	30,355,674
State revenue - other	9,558,324	5,995,304
<i>TransNet</i> funds	61,651,134	44,062,481
Other local subsidies	13,814,150	14,471,993
Investment earnings	800,004	1,086,034
Interest expenses	(538,322)	(685,518)
Gain (Loss) on disposal of assets	(761,659)	(249,389)
Total public support and nonoperating revenues (expenses)	385,769,912	396,731,372
Income (Loss) Before Contributed Capital	(43,092,118)	17,404,471
Contributed capital, net	1,618,702,719	39,009,719
Changes in Net Position	1,575,610,601	56,414,190
Net Position:		
Beginning of year	1,918,928,475	1,862,514,285
End of year	\$ 3,494,539,076	\$ 1,918,928,475

See accompanying notes to basic financial statements.

San Diego Metropolitan Transit System
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Cash Flows From Operating Activities:		
Receipts from customers and users	\$ 82,741,936	\$ 70,014,287
Payments to suppliers	(184,444,266)	(165,662,968)
Payments to employees	(144,916,726)	(149,479,002)
Payments for damage and injury	(4,384,811)	(7,532,439)
Net cash (used in) operating activities	(251,003,867)	(252,660,122)
Cash Flows From Noncapital Financing Activities:		
Public support funds received	379,267,505	373,892,647
Net cash provided by noncapital financing activities	379,267,505	373,892,647
Cash Flows From Capital and Related Financing Activities:		
Debt service costs	(3,145,003)	(3,156,053)
Property acquisition	(80,215,550)	(152,508,840)
Proceeds from disposal of assets	656,201	670,726
Net cash (used in) capital and related financing activities	(82,704,352)	(154,994,167)
Cash Flows From Investing Activities:		
Interest received on investments	224,439	684,245
Net cash provided by investing activities	224,439	684,245
Net increase (decrease) in cash and cash equivalents	45,783,725	(33,077,397)
Cash and Cash Equivalents:		
Beginning of year	91,169,706	124,247,103
End of year	\$ 136,953,431	\$ 91,169,706
Reconciliation of Cash and Cash Equivalents to Statements of Net Position:		
Cash and cash equivalents	\$ 110,932,746	\$ 68,815,127
Cash and cash equivalents restricted for capital support	26,020,685	22,354,579
Total cash and cash equivalents	\$ 136,953,431	\$ 91,169,706

San Diego Metropolitan Transit System
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

	2022	2021 as restated
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities:		
Operating (loss)	\$ (428,862,030)	\$ (379,326,901)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	171,822,930	124,495,789
(Increase) decrease in:		
Accounts and other receivables	3,271,783	80,267
Due from other governments	(837,238)	245,356
Inventory	(1,124,853)	(548,816)
Prepaid items and other current assets	(553,511)	1,476,976
Increase (decrease) in:		
Accounts payable	531,512	2,645,692
Due to other governments	265,686	39,596
Accrued expenses	(1,174,808)	(1,168,581)
Unearned revenue	4,353,502	(1,100,244)
Aggregate net pension liability	(5,828,337)	(2,409,536)
Aggregate total OPEB liability	1,904,150	2,097,465
Compensated absences	(236,531)	880,826
Accrued damage, injury and employee claims	5,463,878	(68,011)
Total adjustments	177,858,163	126,666,779
Net cash (used in) operating activities	\$ (251,003,867)	\$ (252,660,122)
Noncash investing, capital, and financing activities:		
Contributions of capital assets and inventory parts from SANDAG	\$ 1,619,421,359	\$ 39,009,719
Contributions of capital assets to outside parties	(718,640)	-
	\$ 1,618,702,719	\$ 39,009,719
Increase (decrease) in fair value of investments	\$ (398,264)	\$ 983

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FIDUCIARY FUND

San Diego Metropolitan Transit System
Statements of Fiduciary Net Position
June 30, 2022 and 2021

ASSETS	San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
	2022	2021
Investments, at fair value:		
Common stocks	\$ 58,668,033	\$ 89,616,904
Mutual funds	56,340,502	43,252,362
Corporate debt / Bond funds	52,671,200	68,165,562
Closely held instruments	7,694	33,419
U.S. treasury inflation protected security funds	9,006,975	3,434,282
Short-term investment funds	813,377	647,402
Total investments	177,507,781	205,149,931
Receivables:		
Dividends and interest	909	10
Total receivables	909	10
Total assets	177,508,690	205,149,941
LIABILITIES		
Due to plan sponsor	541,246	525,090
Other payables	90,018	153,020
Total liabilities	631,264	678,110
NET POSITION		
Net position restricted for plan benefits	\$ 176,877,426	\$ 204,471,831

San Diego Metropolitan Transit System
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2022 and June 30, 2021

	San Diego Transit Corporation Employee Retirement Plan Pension Trust Fund	
	2022	2021
ADDITIONS:		
Contributions:		
Employer	\$ 15,838,082	\$ 23,718,402
Employee	1,621,654	1,950,898
Total contributions	<u>17,459,736</u>	<u>25,669,300</u>
Investment income (loss):		
Interest	1,949	123
Dividends	6,977,161	4,648,015
Net realized and unrealized gains (losses) on investments	(29,442,846)	30,434,250
Total investment income (loss)	<u>(22,463,736)</u>	<u>35,082,388</u>
Investment expense	(296,142)	(417,438)
Net investment income	<u>(22,759,878)</u>	<u>34,664,950</u>
Total additions to fiduciary net position	<u>(5,300,142)</u>	<u>60,334,250</u>
DEDUCTIONS:		
Distributions to participants	22,029,157	21,531,678
Administrative expenses	265,106	252,541
Total deductions from fiduciary net position	<u>22,294,263</u>	<u>21,784,219</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(27,594,405)	38,550,031
NET POSITION RESTRICTED FOR PLAN BENEFITS:		
Beginning of year	204,471,831	165,921,800
End of year	<u>\$ 176,877,426</u>	<u>\$ 204,471,831</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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San Diego Metropolitan Transit System
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For the Years Ended June 30, 2022 and 2021

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San Diego Metropolitan Transit System
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San Diego Metropolitan Transit System
Notes to the Basic Financial Statements
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies

The accompanying basic financial statements of the San Diego Metropolitan Transit System (MTS) have been prepared in conformity with generally accepted accounting principles in the United States (U.S. GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of MTS's accounting policies are described below.

A. Reporting Entity

Primary Government

MTS (also known as San Diego Metropolitan Transit Development Board) was formed on January 26, 1976 by passage of California Senate Bill 101 to plan, construct, and operate (or let contracts to operate) exclusive public mass transit guideways in the urbanized south coastal area of San Diego County. MTS has certain responsibilities for near-term transportation planning and administration of federal and state transportation funds within the area under its jurisdiction. The Board of Directors of MTS consists of 15 members composed of four appointees from the City of San Diego (the Mayor and three Council Members), two appointees from the City of Chula Vista (the Mayor and one Council Member), one appointee from the cities of Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, and Santee, and one appointee from the San Diego County Board of Supervisors.

On January 1, 2003, California Senate Bill 1703 (SB 1703) became effective. SB 1703 required the consolidation of the planning and programming functions of MTS and the North County Transit District (NCTD) into the San Diego Association of Governments (SANDAG) in an initial transfer to take place prior to July 1, 2003. SB 1703 also required the consolidation of certain project development and construction functions of MTS and NCTD into SANDAG in a subsequent transfer to take place prior to January 30, 2004. The initial transfer occurred on July 1, 2003, and the subsequent transfer occurred on October 13, 2003. With these actions, employees were transferred from MTS and NCTD to SANDAG, and certain planning, development, and construction functions were also transferred. As a result, MTS's activities since the consolidation have been focused on operating public transit systems in the urbanized area identified above. In addition to the consolidation required by SB 1703, MTS dissolved the independent Board of Directors of San Diego Transit Corporation (SDTC) and Board of Directors of San Diego Trolley, Inc. (SDTI). MTS now acts as the Board of Directors for all three agencies: MTS, SDTC, and SDTI. Beginning in FY2004, SDTC and SDTI are presented as blended component units.

These basic financial statements present MTS and its legally separate component units, entities for which MTS is considered to be financially accountable. Because MTS appoints a majority of the component units' boards of directors, the boards are substantively the same, and MTS is able to impose its will on the component units, MTS presents blended component units. Blended component units, although legally separate entities, are, in substance, part of MTS's operations.

Included within the reporting entity as blended component units:

San Diego Transit Corporation: On July 1, 1985, MTS purchased the assets used by and acquired sole ownership of San Diego Transit Corporation (SDTC) from the City of San Diego for \$1. SDTC has entered into an operating agreement with MTS to operate a public transportation bus system in the City of San Diego and certain regional routes within MTS's jurisdictions. The current agreement, which was approved in December 2006, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. SDTC continues to provide local service to a number of adjoining cities under pre-existing contracts. Purchases or construction of bus capital items are made by MTS, with whom title remains, and are contributed to SDTC upon completion of a project or when individually purchased by MTS. SDTC's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Primary Government (Continued)

San Diego Trolley, Inc.: San Diego Trolley, Inc. (SDTI) was organized by MTS in August 1980. SDTI was created to operate and maintain the Light Rail Transit (LRT) system pursuant to an operating agreement with MTS. The current agreement, which was approved in December 2006, was renewed on June 23, 2011, as an open-ended agreement terminable upon six months' notice by either party. Purchases or construction of LRT capital items are made by MTS, with whom title remains, and are contributed to SDTI upon completion of a project or when individually purchased by MTS. SDTI's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. This agency has the same governing board as MTS and provides services directly to the public.

San Diego and Arizona Eastern Railway Company: MTS purchased the San Diego and Arizona Eastern Railway Company (SD&AE) in 1979. SDTI operates on a portion of the line and private operators provide freight service on a portion of the line. Purchases of capital items are made by MTS, with whom title remains, and are contributed to SD&AE. Since SD&AE provides almost exclusive benefit to MTS, its assets, deferred outflows, liabilities, deferred inflows, net position, revenues, and expenses are included in MTS's financial statements as a blended component unit. Separate financial reports are not available.

Fiduciary Activities

MTS presents its fiduciary activity information for assessing its accountability and financial reporting in their role as fiduciaries. The definition of a "fiduciary" is:

- The organization acts on behalf of another person or persons to manage assets;
- Fiduciary responsibility refers to the obligation that one party has in relationship with another one to act entirely on the other party's behalf and best interest. It is considered to be the standard of the highest care.

Included within the reporting entity as fiduciary activities is the following:

San Diego Transit Corporation Employee Retirement Plan: The San Diego Transit Corporation Employees' Retirement Plan (the "Plan") is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Prior to May 1, 2011, all of San Diego Transit Corporation's ("SDTC") full-time employees and certain part-time noncontract employees who had completed one year of service in which they had worked at least 1,000 hours of service, and certain part-time contract employees participated in the Plan. Effective May 1, 2011, employees in the International Brotherhood of Electrical Workers, Local 465 (the "IBEW") bargaining unit hired after May 1, 2011 participate in a separate defined contribution 401(a) plan. Effective November 1, 2012, employees in the Amalgamated Transit Union, Local 1309 (the "ATU") bargaining unit hired after November 1, 2012 participate in a separate defined contribution 401(a) plan. Therefore, as of November 1, 2012 the Plan was closed to new ATU and IBEW entrants. Upon agreement between the employer and the Union, certain modifications can be made to the Plan.

The Plan is managed by Retirement Boards which have plenary authority and fiduciary responsibility for the investment of Plan assets and administration of the Plan. The IBEW Retirement Board consists of three members from the San Diego Metropolitan Transit System ("MTS") and three members from the IBEW. The ATU Retirement Board consists of three members from MTS and three members from the ATU. The Noncontract Retirement Board consists of three members from MTS.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Fiduciary Activities (Continued)

SDTC is a component unit of MTS. The Plan is administered and sponsored by MTS. MTS also issued taxable Pension Obligation Bonds for the benefit of SDTC. See Note 8 for further details.

SDTC is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members.

The Plan is funded entirely by SDTC for employees under the IBEW bargaining units who were hired prior to May 1, 2011 and the ATU bargaining units who were hired prior to November 1, 2012. IBEW employees are required to contribute, 3% of their covered payroll from March 31, 2013 through April 6, 2014, 4% of their covered payroll from April 6, 2014 through April 4, 2015, increasing to 6% from April 5, 2015 through April 2, 2016, and to 8% thereafter. ATU employees are required to contribute 3% after July 1, 2013 and 5% after July 1, 2014, 6% after May 17, 2015, 7% after July 1, 2016 and 8% after December 1, 2017.

B. Financial Statements

Primary Government – The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and statement of cash flows) report information on all of the activities of the primary government and its component units. The statement of revenues, expenses, and changes in net position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Fiduciary Activities – The Fiduciary Fund Financial Statements (i.e., the statement of fiduciary net position and the statement and changes in fiduciary net position) report information on the activities of the San Diego Transit Corporation Employees Retirement Plan pension trust fund. The statement of changes in fiduciary net position demonstrates the degree to which the additions to net position restricted for plan benefits were sufficient to cover deductions for distributions to plan participants and administrative expenses.

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

Primary Government – The Financial Statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

Fiduciary Activities – This fiduciary pension trust fund is a defined benefit plan which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions are due and when the employer has made a formal commitment to provide the contributions. Investment income is recognized as earned. Benefits are recognized when due and payable in accordance with the terms of the Plan.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

MTS receives funding primarily from the following revenue sources:

Passenger Revenue

Passenger fares comprised approximately 16 percent and 15 percent of MTS's \$342.2 million and \$325.7 million operating budget for FY2022 and FY2021 respectively.

Other Operating Revenues

MTS receives a variety of operating revenues that are not received directly from passenger fares. The sources of these revenues are advertising, naming rights, interest income, energy credits, rental and land management income, income related to For Hire Vehicle administration, income from the SD&AE Railway Company, and other miscellaneous income.

Non-Operating Revenues

MTS receives subsidies that are derived from federal, state and local tax revenues. MTS does not levy or collect any tax funds, but receives allocated portions of tax funds through federal, state and local granting agencies.

Federal Transit Administration (FTA)

FTA revenues are funded by a federal gas tax and revenues of the federal general fund. On November 15, 2021, the Bipartisan Infrastructure Law was signed, reauthorizing surface transportation programs through Federal FY (FFY) 2026. The legislation establishes the legal authority to commence and continue Federal Transit Administration (FTA) programs. Each reauthorization amends the Federal Transit Laws codified in 49 USC Chapter 53. FTA funding is structured on a reimbursement basis (after expenses are incurred), and funds both the CIP and operating budgets. The reauthorization provides for the following funding streams MTS commonly receives:

- 5307 Urban Area Formula Grants for capital improvements and preventive maintenance
- 5311 Formula Grants for Rural Areas for capital improvements and to supplement operating costs
- 5337 State of Good Repair Funding for capital improvements and preventive maintenance
- 5339 Bus and Bus Facilities Funding for capital improvements
- 5311 Formula Grants for Rural Areas Funding for rural service operations
- 5311(f) Inter-City Bus Program Funding for rural service operations connecting to inter-city network

On March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided \$25 billion to the transit industry nationwide. MTS is expected to receive \$220 million in CARES Act funding over multiple fiscal years to supplement lost revenues and increased expenses related to the COVID-19 pandemic, of which \$0.1 million was received in FY2022, \$72 million in FY2021 and \$18 million in FY2020.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Federal Transit Administration (FTA) (Continued)

On March 11, 2021, the President signed The American Rescue Plan Act of 2021 (ARP), which includes \$30.5 billion to support public transportation systems. MTS is expected to receive \$140 million in ARP funding in fiscal years 2022–2025 to prevent, prepare for, and respond to the COVID–19 pandemic. \$48 million was received in FY22.

Transportation Development Act (TDA)

TDA provides funding for public transit operators. This state fund is one quarter of a percent of the 7.75 percent sales tax assessed in the region. SANDAG is responsible for apportionment of these funds within the San Diego region. As economic conditions deteriorate as a result of the current recession, sales tax receipts have decreased over the prior year, and as a result, the TDA funds available for disbursement will decrease as well.

State Transit Assistance (STA)

STA funding comes from the Public Transportation Act (PTA) which derives its revenue from the state sales tax on diesel fuels. These funds are appropriated by the legislature with a formula based upon population and local revenue generated.

STA State of Good Repair Program (SGR)

The SGR Program is another new revenue source as a result of Senate Bill (SB) 1 and is funded from a portion of a new Transportation Improvement Fee on vehicle registrations due on or after January 1, 2018. The funds are allocated with the same STA Program formula.

TransNet

TransNet funds are derived from the Proposition A one–half cent local transportation sales tax that was approved by area voters in November 1987. The original ordinance expired in 2008, but has since been extended to 2048 by subsequent voter approval. The ordinance allocated one–third of the sales tax proceeds for transit purposes, which are further divided between MTS and NCTD based on the proportion of the population within the area of each jurisdiction. The *TransNet* Program also reimburses MTS for the net operating cost of the MidCoast Trolley Extension, Bus Rapid Transit and Superloop projects that were approved as part of the extension. These costs are billed to SANDAG on a monthly basis. *TransNet* funds are also apportioned by SANDAG.

Transit and Intercity Rail Capital Program (TIRCP)

The TIRCP is a discretionary program that was created by Senate Bill (SB) 862 (Chapter 36, Statutes of 2014) and modified by Senate Bill 9 (Chapter 710, Statutes of 2015) to provide grants from the Greenhouse Gas Reduction Fund to fund transformative capital improvements that will modernize California’s intercity, commuter, and urban rail systems, and bus and ferry transit systems to reduce emissions of greenhouse gases by reducing congestion and vehicle miles travelled throughout California. Since inception, MTS has been awarded \$112.8 million, and has received \$41.6 million, of which \$9.5 million was earned in FY2022. MTS expects to receive the remaining \$71.2 million in Fiscal Years 2023–2026.

Low Carbon Transit Operations Program (LCTOP)

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Low Carbon Transit Operations Program (LCTOP) (Continued)

Approved projects in 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, with each project reducing greenhouse gas emissions. Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund for LCTOP.

Other State Revenue

MediCal provides further funding support specifically tied to several ADA Paratransit routes to aid patients in their transportation to medical appointments.

Compressed Natural Gas Rebate

Alternative fuel credits are issued by the IRS to MTS for utilizing compressed natural gas to power its vehicles. This rebate program has expired then reauthorized multiple times over the years, but most recently expired on December 31, 2024.

Other Local Subsidies

The City of San Diego provides Maintenance of Effort funds to aid ADA efforts. SANDAG provides funding, funded through FasTrak tolls, to operate services along the Interstate 15 corridor. NCTD provides partial subsidy for the Sorrento Valley Coaster Connection. The University of California, San Diego (UCSD) provides funding for shuttle services that expand frequency and span on MTS routes 201 and 202 between the La Jolla Colony area and the Gilman Transit Center on the UCSD campus.

D. Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is MTS's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Cash, Cash Equivalents, and Investments

Investments of pooled cash consist primarily of pooled investment funds, liquidity funds and governmental bonds. Investments are stated at fair value, which is based on quoted market price. Money market investments and participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, all highly liquid temporary investments purchased with a maturity of three months or less are considered cash equivalents.

MTS participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value of the pool is the same as the fair value of the pool shares. MTS also participates in the San Diego County Treasurer's Pooled Money Fund, which is a local government investment pool managed by the County Treasurer's Office on behalf of the Investment Pool participants.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash, Cash Equivalents, and Investments (Continued)

Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

GASB Statement No. 72, *Fair Value Measurement and Application*, defined fair value, established a framework for measuring fair value and established disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

F. Inventory

Inventories are valued at the weighted average unit cost.

G. Prepaid Items and Other Assets

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

H. Leases

Lessee

MTS has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in our financial statements with an initial, individual value of \$10,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Leases (Continued)

Lessee (Continued)

Key estimates and judgments related to leases include how MTS determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- MTS uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the MTS generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that MTS is reasonably certain to exercise. MTS monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position.

Lessor

MTS is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the MTS determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- MTS uses the average of the LAIF rate and the incremental borrowing rate (IBR) provided by our financial institution at July 1, 2021 for existing leases or the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

MTS monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

I. Capital Assets and Lease Assets

Capital assets and lease assets include land and right-of-way, buildings and infrastructure assets, vehicles, equipment, and “right-to-use” assets. Capital assets and lease assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Major outlays for capital asset improvements are recorded as assets.

Under the operating agreements between MTS and SDTC and SDTI, SDTC and SDTI are required to pay a license fee to MTS for the use of certain capital assets. Due to SDTC’s and SDTI’s continued shortage of operating funds sufficient to cover recurring expenditures, the payment of these fees is considered remote, and therefore, these amounts were not recorded in the accompanying basic financial statements. Buildings, vehicles, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and structures	20 to 30
Vehicles and buses	5 to 25
Equipment and other capital assets	3 to 10
Capital leases	3 to 40

J. Construction-in-Progress

Costs incurred for construction associated with the bus and trolley systems are capitalized as construction-in-progress until such time as they are complete and operational. Upon completion, they are contributed to SDTC, SDTI and MTS – Contracted Services to reflect their custodial accountability for the assets. Depreciation commences at the time of contribution. Assets acquired through leases are capitalized.

K. Compensated Absences

It is MTS’s policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 500 hours, which includes both vacation and sick pay benefits. All personal leave time is accrued when incurred.

L. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of MTS, SDTC and SDTI's pension plans and additions to/deductions from the Plans' 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 benefit terms. The valuation dates, measurement dates, and measurement periods vary by pension plans. See Note 12 for details.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Other Postemployment Benefits

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, of the MTS, SDTC, and SDTI's OPEB Plan ("OPEB Plan") have been determined on the same basis as they are reported by the Plan (Note 11). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefits terms.

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

N. Net Position

Net Position is classified as follows:

Net Investment in Capital Assets and Lease Assets – This component of net position consists of capital assets and lease assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt and deferred inflows and outflows of resources that are attributable to the acquisition, construction, or improvement of those assets as well as lease assets, net of amortization.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets and lease assets or the restricted component of net position.

O. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from these estimates.

P. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022

During fiscal year ended June 30, 2022, MTS has implemented the following new GASB Pronouncements:

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on MTS's financial statements for the fiscal year ended June 30, 2022.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

P. Implementation of New GASB Pronouncements for the Year Ended June 30, 2022 (Continued)

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre–November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Implementation of this Statement did not have a significant effect on MTS’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Implementation of this Statement did not have a significant effect on MTS’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 93 – In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. Implementation of this Statement did not have a significant effect on MTS’s financial statements for the fiscal year ended June 30, 2022.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Implementation of this Statement did not have a significant effect on MTS’s financial statements for the fiscal year ended June 30, 2022.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Upcoming Government Accounting Standards Implementation

In the next three years, MTS will implement the following GASB Pronouncements:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for MTS’s fiscal year ending June 30, 2023.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public–Private and Public–Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public–private and public–public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange–like transaction. Application of this statement is effective for MTS’s fiscal year ending 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. Application of this statement is effective for MTS’s fiscal year ending June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Application of this statement is effective for MTS’s fiscal year ending June 30, 2023.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. 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. Application of this statement is effective for MTS’s fiscal year ending June 30, 2024.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for MTS’s fiscal year ending June 30, 2025.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments

A. Primary Government

Cash and investments are reported in the accompanying statements of net position as follows on June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 110,932,746	\$ 68,815,127
Cash and cash equivalents restricted for capital support	26,020,685	22,354,579
Total cash and investments	\$ 136,953,431	\$ 91,169,706

Cash and cash equivalents consisted as follows on June 30, 2022 and 2021:

Investment Type	Measurement Input	Fair Value	
		2022	2021
Cash and cash equivalents:			
Demand deposits	N/A	\$ 61,526,730	\$ 46,971,085
Retention trust account	N/A	8,531,874	8,531,874
San Diego County Treasurer's Pooled Money Fund	Uncategorized	36,358,946	23,818,678
State of California - Local Agency Investment Fund	Uncategorized	30,535,881	11,848,069
Total cash and cash equivalents		\$ 136,953,431	\$ 91,169,706

Demand Deposits

As of June 30, 2022, the carrying amount of demand deposits was \$61,526,730 and the bank balance was \$62,807,163 compared to \$46,971,085 and \$50,725,751 at June 30, 2021, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in MTS's name as discussed below.

All cash accounts are pooled and swept nightly to a concentration account. Funds required to be held by fiscal agents under the provisions of bond indentures are not included in the pooled cash account.

Investments

Under the provisions of MTS's investment policy and in accordance with California Government Code, MTS is authorized to invest or deposit in the following:

- United States Treasury bills, notes, bonds, or strips.
- Federal Agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by Federal agencies or U.S. government-sponsored enterprises.
- Eligible Banker's Acceptances.
- Prime Commercial Paper issued by a U.S. organization with a rating category of "A" or "A-1", its equivalent or higher.
- Non-negotiable certificates of deposit that meet the requirements for deposit under California Government Code Section 53630.
- Negotiable Certificates of Deposit with issuers rated in a rating category of "A", its equivalent or higher.
- Repurchase Agreements collateralized by U.S. Treasury obligations, Federal Agency securities, or Federal Instrumentality securities.
- Reverse Repurchase Agreements.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

A. Primary Government (Continued)

Investments (Continued)

- State of California’s Local Agency Investment Fund (LAIF)
- The San Diego County Treasurer’s Pooled Money Fund
- A Joint Powers Authority Pool rated among the top two rating categories by a nationally recognized statistical rating organization (NRSRO)
- Medium Term Notes issued by corporations organized and operating within the U.S. with issuers rated in a rating category of “A”, its equivalent, or higher by a NRSRO
- Money Market Funds registered under the Investment Company Act of 1940
- Municipal bonds as listed below with a rating “A”, its equivalent, or higher and a final maturity not exceeding five years from the date of trade settlement:
 - Municipal bonds issued by MTS
 - Registered State warrants or treasury notes or bonds of the State of California
 - Bonds, notes, warrants, or other evidences of indebtedness of a local agency within California
 - Registered treasury notes or bonds of any of the other 49 states in addition to California
- Supranational obligations
- Mortgage pass-through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease-backed certificates, consumer receivable pass-through certificates, or consumer receivable-backed bonds
- Commercial paper, debt securities, or other obligations of a public bank, as defined in Section 57600 of the California Government Code

For full details on the authorized investments and associated limitations, please refer to MTS Board Policy 30 on our website. <https://www.sdmts.com/about-mts-reports-records-and-policies/policies-and-procedures>

Local Agency Investment Funds

MTS’s investments with Local Agency Investment Fund (LAIF) include a portion of the pool funds invested in structured notes and asset-backed securities. These investments include the following:

- Structured Notes – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises.
- Asset-Backed Securities – entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO’s), small business loans or credit card receivables.

LAIF is overseen by the Local Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of our position in the pool is the same as the value of the pool shares.

As of June 30, 2022, MTS had \$30,535,881 invested in LAIF, which had invested 1.88% of the pool investment funds in structured notes and asset-backed securities compared to \$11,848,069 and 1.10% at June 30, 2021.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

A. Primary Government (Continued)

San Diego County Treasurer's Pooled Money Fund

The San Diego County Treasurer's Pooled Money Fund is a local government investment pool managed by the County Treasurer's Office on behalf of Investment Pool participants. Depositors in the Investment Pool include both mandatory participants, those agencies required by law to deposit their funds with the County Treasurer's Office, and voluntary participants, agencies that place their funds in the Investment Pool as an investment option. Voluntary participants, including cities, fire districts, and various special districts accounted for approximately 8.06% and 10.39% of the Investment Pool as of June 30, 2022 and 2021, respectively. At June 30, 2022 and 2021, the fair value of our position in the pool is 97.38% and 100.20%, respectively, of the value of the pool shares.

Pursuant to Section 27130–27137 of the California Government Code, the County Board of Supervisors has established the Treasurer's Oversight Committee ("TOC") that monitors and reviews the Investment Policy. The TOC consists of members appointed from the districts or offices that they represent, and up to five members of the public, having expertise or an academic background in public finance. The TOC requires a financial audit to be conducted annually on a fiscal year basis, which includes limited tests of compliance with laws and regulations. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

To mitigate credit risk, the Investment Pool's Investment Policy, which is more restrictive than the Government Code, places a minimum standard on the ratings of investments held in the Investment Pool. Investments in securities other than those guaranteed by the U.S. Treasury or Government Sponsored Enterprises must have a credit rating of no less than "A" for long-term or "F1" for short-term. Non-rated securities include sweep accounts and repurchase agreements. Sweep accounts and collateralized certificates of deposit must be FDIC insured and collateralized with securities held by a named agent of the depository. Repurchase agreements are collateralized by securities, authorized by the California Government Code Section 53601, having fair value of at least 102% of the amount of the repurchase agreement. The Pool did not have any repurchase agreements in its portfolio as of June 30, 2022.

MTS's investments with the County Treasurer's Office include a portion of the pool funds invested in asset-backed securities as defined in the preceding section for LAIF investments. As of June 30, 2022, MTS had \$36,358,946 invested with the San Diego County Treasurer's Pooled Money Fund, which had invested 4.09% of the pool investment funds in asset-backed securities compared to \$23,818,678 and 3.98% at June 30, 2021.

Disclosures Relating to Interest Rate Risk

As a means of limiting its exposure to market value losses arising from rising interest rates, MTS's investment policy limits investments to maturities dependent on the investment vehicle.

Disclosures Relating to Credit Risk

MTS's investment policy limits investments in commercial paper to instruments rated "A", its equivalent, or better by a NRSRO, and negotiable certificates of deposit to instruments rated "A", its equivalent, or better by two NRSROs. In the current year, MTS does not hold investments in commercial paper or certificates of deposit. MTS investment instruments include deposits in LAIF and the San Diego County Treasurer's Pooled Money Fund which are not rated and do not require ratings.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

A. Primary Government (Continued)

Disclosures Relating to Concentration of Credit Risk

The investment policy limits the amount of the percentage of the portfolio that can be invested by the type of investment for certain types of investments. MTS is in compliance with investment type percentages of the total portfolio of the investment policy.

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the broker or dealer to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The California Government Code requires California banks and savings and loan associations to secure MTS's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in MTS's name.

The fair value of pledged securities must equal at least 110% of MTS's cash deposits. California law also allows institutions to secure MTS deposits by pledging first trust deed mortgage notes having a value of 150% of MTS's total cash deposits. MTS may waive collateral requirements for cash deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. MTS has waived the collateralization requirements.

Summary of Investments to Maturity

Investments held by MTS grouped by maturity date at June 30, 2022 and 2021, are shown below:

<u>Maturity</u>	<u>2022</u>	<u>2021</u>
Current to one year	\$ 136,953,431	\$ 91,169,706
Total	<u>\$ 136,953,431</u>	<u>\$ 91,169,706</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements

Investments

The fair value, net asset value and the percentage of the investments at June 30, 2022 and 2021 were as follows:

	<u>Fair Value</u> <u>June 30, 2022</u>	<u>Quoted Prices in</u> <u>Active Markets for</u> <u>Identical Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs</u> <u>(Level 3)</u>
Investments by Fair Value Level:			
<u>Common Stocks:</u>			
PIMCO Research Affiliates Equity (RAE) Fund	\$ 16,637,959	\$ 16,637,959	\$ -
Total Common Stocks	16,637,959	16,637,959	-
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	15,693,113	15,693,113	-
Fidelity	3,020,878	3,020,878	-
PIMCO All Asset Fund	19,761,510	19,761,510	-
Total Mutual Funds	38,475,501	38,475,501	-
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	52,671,200	52,671,200	-
Total Corporate Bond Funds	52,671,200	52,671,200	-
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	9,006,975	9,006,975	-
Total U.S. Treasury Inflation Protected Security Funds	9,006,975	9,006,975	-
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	812,889	812,889	-
Subtotal Short-Term Investment Funds	812,889	812,889	-
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	7,694	-	7,694
Total Closely Held Instruments	7,694	-	7,694
Total Investments by Fair Value Level	\$ 117,612,218	\$ 117,604,524	\$ 7,694
Investments Measured at NAV:			
<u>Short-Term Investment Funds:</u>			
Westwood Cash Equivalent Fund	488		
Subtotal Short-Term Investment Funds	488		
<u>Common Stocks:</u>			
Analytic Investors	19,758,126		
The Boston Company	5,373,629		
MFS Investment Management	16,898,319		
Subtotal Common Stocks	42,030,074		
<u>Mutual Funds:</u>			
Westwood Trust Large Cap Equity EB Fund	17,865,001		
Subtotal Mutual Funds	17,865,001		
Total Investments Measured at NAV	59,895,563		
Total Investments Measured at Fair Value	\$ 177,507,781		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

	Fair Value June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:			
<u>Common Stocks:</u>			
PIMCO Research Affiliates Equity (RAE) Fund	\$ 19,708,912	\$ 19,708,912	\$ -
Total Common Stocks	19,708,912	19,708,912	-
<u>Mutual Funds:</u>			
GMO Benchmark Free Allocation Fund	17,069,906	17,069,906	-
Vanguard Energy Index Funds	2,342,640	2,342,640	-
PIMCO All Asset Fund	23,839,816	23,839,816	-
Total Mutual Funds	43,252,362	43,252,362	-
<u>Corporate Bond Funds:</u>			
Vanguard Total Bond Fund	68,165,562	68,165,562	-
Total Corporate Bond Funds	68,165,562	68,165,562	-
<u>U.S. Treasury Inflation Protected Security Funds:</u>			
Vanguard Fund	3,434,282	3,434,282	-
Total U.S. Treasury Inflation Protected Security Funds	3,434,282	3,434,282	-
<u>Short-Term Investment Funds:</u>			
First American Prime Obligations Fund	637,110	637,110	-
Subtotal Short-Term Investment Funds	637,110	637,110	-
<u>Closely Held Instruments:</u>			
Pacific Hedge Strategies, LLC	33,419	-	33,419
Total Closely Held Instruments	33,419	-	33,419
Total Investments by Fair Value Level	135,231,647	\$ 135,198,228	\$ 33,419
Investments Measured at NAV:			
<u>Short-Term Investment Funds:</u>			
Westwood Cash Equivalent Fund	10,292		
Subtotal Short-Term Investment Funds	10,292		
<u>Common Stocks:</u>			
Analytic Investors	20,482,143		
The Boston Company	8,922,140		
MFS Investment Management	20,548,164		
Westwood Trust Large Cap Equity EB Fund	19,955,545		
Subtotal Common Stocks	69,907,992		
Total Investments Measured at NAV	69,918,284		
Total Investments Measured at Fair Value	\$ 205,149,931		

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Fair Value Measurement – Investment Valuation

Investments are reported at fair value. Quoted market value (Level 1) and fair value per share (Level 2) in an active market are used to value investments, except for shares in the short-term investment funds, which trade and are reported at par value as reported by the investment custodian. Investment securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The calculation of realized gains and losses is independent of the calculation of the change in the fair value of investments, and realized gains and losses of the current period include unrealized amounts from prior periods.

Investments in closely held instruments (hedge funds) are reported under Level 3 under fair value measurement input hierarchy. The underlying hedge fund values are estimated by the hedge fund managers in the absence of readily ascertainable market values. In accordance with the investment manager's Valuation Policy and *Fair Value Measurements and Disclosure*, the investment manager has the right, in its discretion and in good faith, to deviate from valuation information provided by the managers of the investment vehicles when the investment manager deems it appropriate. Because of the inherent uncertainty of valuations in the investment vehicles, values may differ significantly from the values that would have been used had a ready market for these investments existed, and the differences could be material.

The following tables summarize investments, excluding cash and cash equivalents, measured at fair value based on NAV per share as of June 30, 2022 and 2021, respectively:

June 30, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Analytic Investors	\$ 19,758,126	N/A	Monthly	5 days
The Boston Company	5,373,629	N/A	Daily	Daily
MFS Investment Management	16,898,319	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	17,865,001	N/A	Daily	Daily
Total	<u>\$ 59,895,075</u>			

June 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (if currently available)	Redemption Notice Period
Analytic Investors	\$ 20,482,143	N/A	Monthly	5 days
The Boston Company	8,922,140	N/A	Daily	Daily
MFS Investment Management	20,548,164	N/A	Daily	Daily
Westwood Trust Large Cap Equity EB Fund	19,955,545	N/A	Daily	Daily
Total	<u>\$ 69,907,992</u>			

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Fair Value Measurement – Investment Valuation (Continued)

During the Plan years, investments, including realized gains and losses on investments and unrealized appreciation (depreciation) on investments held, appreciated (depreciated) in value as follows:

	2022	2021
Unrealized appreciation (depreciation) on investments held	\$ (40,345,380)	\$ 25,394,445
Realized gain on investments	10,902,534	5,039,805
Net realized and unrealized investment gains (losses)	\$ (29,442,846)	\$ 30,434,250

The Plan's investment policy was approved by the SDTC Pension Trustee Investment Committee. The Plan's investment policy allows investments in the following asset classes and sets forth the target allocations and allocation ranges.

Asset Class	Target Allocation	Allocation Range
Equity		
United States	25.0%	
International	20.0%	
Subtotal	45.0%	30% - 60%
Fixed Income	35.0%	25% - 55%
Alternatives	20.0%	10% - 30%
Total	100.0%	

Concentrations of Investments

The Plan has invested in certain organizations in excess of 5% of the Fiduciary Net Position. The concentrated investments are as follows:

	2022		2021	
	Fair Value	%	Fair Value	%
<u>Common Stocks:</u>				
Analytic Investors	\$ 19,758,126	11.1%	\$ 20,482,143	10.0%
MFS Investment Management	16,898,319	9.5%	20,548,164	10.0%
PIMCO Research Affiliates Equity (RAE) Fund	16,637,959	9.4%	19,708,912	9.6%
Westwood Trust Large Cap Equity Fund	-	0.0%	19,955,545	9.7%
<u>Mutual Funds:</u>				
GMO Benchmark Free Allocation Fund	15,693,113	8.8%	17,069,906	8.3%
PIMCO All Asset Fund	19,761,510	11.1%	23,839,816	11.6%
Westwood Trust Large Cap Equity EB Fund	17,865,001	10.1%	-	0.0%
<u>Corporate Bond Funds:</u>				
Vanguard Total Bond Fund	52,671,200	29.7%	68,165,562	33.2%
<u>U.S. Treasury Inflation Protected Security Funds:</u>				
Vanguard Fund	9,006,975	5.1%	-	0.0%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Rate of return

For the years ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was –14.25 percent and 17.96 percent, respectively. The money-weighted rate of return express investment performance, net of investment expense, adjusted for the changing amount actually invested.

Concentration of Credit Risk

The Plan’s investment policy limits the amount of the percentage of the portfolio that can be invested by type of investment. The Plan mitigates credit risk in its portfolio by allocating funds among various investment managers and limiting the concentration of investments within these managers. The individual investments in excess of 5% identified in the fair value of the investments table are, in turn, funds with diversified portfolios.

	June 30, 2022						Total
	Not Rated	AAA	AA	A	BBB	Below Investment Grade	
Corporate Bond Funds:							
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 37,396,552	\$ 1,580,136	\$ 6,162,530	\$ 7,479,310	\$ 52,672	\$ 52,671,200
U.S. Treasury Inflation Protected Security Fund:							
Vanguard Infl-Prot;Inst (VIPIX)	-	9,006,975	-	-	-	-	9,006,975
All Other Investments	115,829,606	-	-	-	-	-	115,829,606
Total	\$ 115,829,606	\$ 46,403,527	\$ 1,580,136	\$ 6,162,530	\$ 7,479,310	\$ 52,672	\$ 177,507,781

	June 30, 2021						Total
	Not Rated	AAA	AA	A	BBB	Below Investment Grade	
Corporate Bond Funds:							
Vanguard Total Bond Fund (VBTIX)	\$ -	\$ 46,761,576	\$ 2,249,464	\$ 8,111,702	\$ 11,042,820	\$ -	\$ 68,165,562
U.S. Treasury Inflation Protected Security Fund:							
Vanguard Infl-Prot;Inst (VIPIX)	-	3,434,282	-	-	-	-	3,434,282
All Other Investments	133,550,087	-	-	-	-	-	133,550,087
Total	\$ 133,550,087	\$ 50,195,858	\$ 2,249,464	\$ 8,111,702	\$ 11,042,820	\$ -	\$ 205,149,931

Interest Rate Risk

Interest rate risk is the risk that inversely affects the value of fixed income bond portfolio holdings. The Plan’s investment policy endorses a long-term approach to manage the portfolio but not to expose the portfolio to levels of volatility that might significantly affect the principal value of the Plan.

The purpose of equity (both U.S. and International) investments is primarily to provide capital appreciation. It is recognized that this requires the assumption of greater market variability and risk than is the case with fixed income investment. The purpose of international, non-U.S. dollar-denominated investments is primarily to provide capital appreciation through participation in major non-U.S. financial markets and, secondarily, to enhance portfolio diversification.

It is recognized that this required the assumption of greater market variability and risk than was the case with U.S. investments, and the assumption of foreign currency risk. The purpose of fixed income investments is to provide stability and generate income. The purpose of cash equivalents is to provide liquidity, stability and a vehicle for defensive positioning of the portfolio.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 2 – Cash, Cash Equivalents, and Investments (Continued)

B. Fiduciary Fund Financial Statements (Continued)

Investments (Continued)

Custodial Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments. All securities are held by a third-party custodian, U.S. Bank, National Association (U.S. Bank). U.S. Bank is a registered member of the Federal Reserve Bank. The securities held by U.S. Bank are in their street name, and an account number assigned to the Plan identifies ownership.

Note 3 – Accounts Receivable

A. Accounts and Other Receivables

At June 30, 2022 and 2021, the net realizable accounts and other receivables consisted of the following:

	2022	2021
Passenger revenue - general public	\$ 907,636	\$ 1,448,073
Other trade receivables	5,634,379	8,397,040
Pension plan receivable	1,874,270	1,842,955
Total accounts and other receivables	\$ 8,416,285	\$ 11,688,068

B. Due from Other Governments

At June 30, 2022 and 2021, amounts due from other governments consisted of the following:

	2022	2021
FTA Grant Funds	\$ 79,043,527	\$ 96,237,336
SANDAG - TransNet	22,070,042	4,959,244
State of California	15,423,378	6,377,734
STA Funds	9,354,685	6,428,984
US Treasury	7,979,662	3,931,540
SANDAG - Project/Route reimbursement	4,832,404	5,955,665
Passenger Revenue - Other Governments	2,358,096	216,672
North County Transit District - passenger revenue and shared costs	1,964,648	3,293,150
County of San Diego	261,977	360,364
UCSD Route Reimbursement	229,279	256,824
Department of Homeland Security	70,953	413,643
Total due from other governments	\$ 143,588,651	\$ 128,431,156

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 3 – Accounts Receivable (Continued)

C. Lease Receivable and Related Deferred Inflows of Resources

MTS leases various types of property including land, buildings and easements. Lease receivable consists of agreements with other for the right-to-use of the underlying assets at various locations owned by MTS. The remaining terms of the agreements range from 8 to 44 years. The calculated interest rates used vary depending on the length of the lease.

For the fiscal year ended June 30, 2022, MTS recognized \$1,883,472 in lease revenue and \$504,952 in interest revenue, and the outstanding receivable amount is \$45,446,703. For the fiscal year ended June 30, 2021, MTS recognized \$1,883,472 in lease revenue and \$521,977 in interest revenue and the receivable amount was \$46,959,309.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts due within one year	Amounts due in more than one year
\$ 46,959,309	\$ -	\$ (1,512,606)	\$ 45,446,703	\$ 1,625,433	\$ 43,821,270

A summary of changes in lease receivable for the fiscal year ended June 30, 2021 is as follows:

Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts due within one year	Amounts due in more than one year
\$ 48,614,314	\$ -	\$ (1,655,005)	\$ 46,959,309	\$ 1,512,606	\$ 45,446,703

As of June 30, 2022, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2023	\$ 1,625,433	\$ 488,660	\$ 2,114,093
2024	1,464,408	472,166	1,936,574
2025	1,596,659	455,371	2,052,030
2026	1,613,809	438,222	2,052,031
2027	1,631,143	420,887	2,052,030
2028-2032	8,189,981	1,838,685	10,028,666
2033-2037	8,390,336	1,390,891	9,781,227
2038-2042	8,732,859	919,461	9,652,320
2043-2047	2,973,135	586,425	3,559,560
2048-2052	2,912,449	436,219	3,348,668
2053-2057	3,344,479	264,834	3,609,313
2058-2062	2,157,953	94,176	2,252,129
2063-2066	814,059	17,937	831,996
Total	\$ 45,446,703	\$ 7,823,934	\$ 53,270,637

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 3 – Accounts Receivable (Continued)

C. Lease Receivable and Related Deferred Inflows of Resources (Continued)

As of June 30, 2022, the amounts reported as deferred inflows of resources will be recognized as lease revenue as follows:

Year Ending June 30	Total
2023	\$ 1,883,472
2024	1,883,472
2025	1,883,472
2026	1,883,472
2027	1,883,472
2028-2032	9,205,552
2033-2037	8,715,816
2038-2042	8,440,208
2043-2047	2,813,089
2048-2052	2,424,277
2053-2057	2,424,277
2058-2062	1,762,135
2063-2067	898,151
2068-2072	90,790
2073-2074	27,234
Total	<u>\$ 46,218,889</u>

Note 4 – Inventory

At June 30, 2022 and 2021, inventory consisted of the following repair and maintenance parts and administrative supplies:

	2022	2021
San Diego Transit Corporation	\$ 4,198,174	\$ 4,506,437
San Diego Trolley, Inc.	27,508,031	24,810,004
Total inventory	<u>\$ 31,706,205</u>	<u>\$ 29,316,441</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 5 – Capital Assets and Lease Assets

A summary of changes in capital assets and lease assets for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021 as restated	Additions	Deletions	Balance June 30, 2022
Capital assets, not depreciated				
Land and right-of-way	\$ 256,909,683	\$ -	\$ (4,607,707)	\$ 252,301,976
Construction-in-progress	159,868,381	75,390,586	(123,280,115)	111,978,852
Total capital assets, not depreciated	<u>416,778,064</u>	<u>75,390,586</u>	<u>(127,887,822)</u>	<u>364,280,828</u>
Capital assets, depreciated:				
Buildings and structures	2,141,341,939	1,601,667,871	(3,417,924)	3,739,591,886
Buses and vehicles	968,255,812	79,720,036	(55,692,851)	992,282,997
Equipment and other	138,193,357	59,330,016	(56,476,327)	141,047,046
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	<u>3,259,883,089</u>	<u>1,740,717,923</u>	<u>(115,587,102)</u>	<u>4,885,013,910</u>
Less accumulated depreciation for:				
Buildings and structures	(1,192,944,542)	(108,979,566)	6,814,771	(1,295,109,337)
Buses and vehicles	(405,589,523)	(51,207,411)	55,689,260	(401,107,674)
Equipment and other	(100,372,174)	(11,242,364)	55,554,675	(56,059,863)
Capital lease property	(12,091,981)	-	-	(12,091,981)
Total accumulated depreciation	<u>(1,710,998,220)</u>	<u>(171,429,341)</u>	<u>118,058,706</u>	<u>(1,764,368,855)</u>
Lease assets:				
Land and land improvements	9,656,946	-	-	9,656,946
Buildings and structures	2,164,759	-	-	2,164,759
Total lease assets	<u>11,821,705</u>	<u>-</u>	<u>-</u>	<u>11,821,705</u>
Less accumulated amortization for:				
Land and land improvements	(238,443)	(238,443)	-	(476,886)
Buildings and structures	(155,146)	(155,146)	-	(310,292)
Total accumulated amortization	<u>(393,589)</u>	<u>(393,589)</u>	<u>-</u>	<u>(787,178)</u>
Total capital assets and lease assets, depreciated, net	<u>1,560,312,985</u>	<u>1,568,894,993</u>	<u>2,471,604</u>	<u>3,131,679,582</u>
Total capital assets and lease assets, net	<u>\$ 1,977,091,049</u>	<u>\$ 1,644,285,579</u>	<u>\$ (125,416,218)</u>	<u>\$ 3,495,960,410</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 5 – Capital Assets and Lease Assets (Continued)

A summary of changes in capital assets and lease assets for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020 as restated	Additions	Deletions	Balance June 30, 2021
Capital assets, not depreciated				
Land and right-of-way	\$ 256,909,683	\$ -	\$ -	\$ 256,909,683
Construction-in-progress	63,664,690	178,057,091	(81,853,400)	159,868,381
Total capital assets, not depreciated	<u>320,574,373</u>	<u>178,057,091</u>	<u>(81,853,400)</u>	<u>416,778,064</u>
Capital assets, depreciated:				
Buildings and structures	2,131,456,318	11,177,717	(1,292,096)	2,141,341,939
Buses and vehicles	906,954,853	105,245,483	(43,944,524)	968,255,812
Equipment and other	169,074,277	3,530,876	(34,411,796)	138,193,357
Capital lease property	12,091,981	-	-	12,091,981
Total capital assets, depreciated	<u>3,219,577,429</u>	<u>119,954,076</u>	<u>(79,648,416)</u>	<u>3,259,883,089</u>
Less accumulated depreciation for:				
Buildings and structures	(1,128,975,624)	(65,260,675)	1,291,757	(1,192,944,542)
Buses and vehicles	(402,622,745)	(46,899,149)	43,932,371	(405,589,523)
Equipment and other	(122,330,784)	(11,753,438)	33,712,048	(100,372,174)
Capital lease property	(11,903,043)	(188,938)	-	(12,091,981)
Total accumulated depreciation	<u>(1,665,832,196)</u>	<u>(124,102,200)</u>	<u>78,936,176</u>	<u>(1,710,998,220)</u>
Total capital assets, depreciated, net	<u>1,553,745,233</u>	<u>(4,148,124)</u>	<u>(712,240)</u>	<u>1,548,884,869</u>
Lease assets:				
Land and land improvements	9,656,946	-	-	9,656,946
Buildings and structures	2,164,759	-	-	2,164,759
Total lease assets	<u>11,821,705</u>	<u>-</u>	<u>-</u>	<u>11,821,705</u>
Less accumulated amortization for:				
Land and land improvements	-	(238,443)	-	(238,443)
Buildings and structures	-	(155,146)	-	(155,146)
Total accumulated amortization	<u>-</u>	<u>(393,589)</u>	<u>-</u>	<u>(393,589)</u>
Total capital assets and lease assets, depreciated, net	<u>1,565,566,938</u>	<u>(4,541,713)</u>	<u>(712,240)</u>	<u>1,560,312,985</u>
Total capital assets and lease assets, net	<u>\$ 1,886,141,311</u>	<u>\$ 173,515,378</u>	<u>\$ (82,565,640)</u>	<u>\$ 1,977,091,049</u>

Construction in Progress

MTS converted \$123 million in capital assets from CIP to assets in service in FY2022 compared to \$82 million in FY2021. A summary of capital asset additions transferred from construction in progress to depreciable assets by MTS is as follows:

	2022	2021
MTS - General Operations	\$ 409,048	\$ 1,711,445
MTS - Contracted Services	25,933,205	23,558,749
San Diego Transit Corporation	10,784,756	51,176,150
San Diego Trolley, Inc.	85,434,466	5,407,056
City of La Mesa	718,640	-
Total	<u>\$ 123,280,115</u>	<u>\$ 81,853,400</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 5 – Capital Assets and Lease Assets (Continued)

Contributed Capital

Capital asset additions totaling \$1.618 billion were contributed by SANDAG in FY2022 compared to \$38 million in FY2021, due to the new UCSD MidCoast Trolley Line extension. SANDAG also contributed spare parts for the new LRVs to SDTI. MTS contributed \$718,640 in capital assets to the City of La Mesa in FY2022, compared to no contributions to outside parties in FY2021. A summary of capital asset additions contributed is as follows:

	2022	2021
MTS - Contracted Services	\$ -	\$ 5,254,476
San Diego Trolley, Inc.	1,618,156,448	32,846,200
Total	1,618,156,448	38,100,676
San Diego Trolley, Inc - LRV Spare Parts Inventory	1,264,911	909,043
City of La Mesa	(718,640)	-
Total contributed capital	<u>\$ 1,618,702,719</u>	<u>\$ 39,009,719</u>

Depreciation and Amortization

Depreciation and amortization expense for capital assets and lease assets for the years ended June 30, 2022 and 2021 were comprised of the following:

	2022	2021
MTS - General Operations	\$ 4,963,065	\$ 5,905,962
MTS - Contracted Services	25,894,939	24,552,291
San Diego Transit Corporation	27,339,470	27,365,603
San Diego Trolley, Inc.	113,625,456	66,671,933
Total	<u>\$ 171,822,930</u>	<u>\$ 124,495,789</u>

Note 6 – Due to Other Governments

At June 30, 2022 and 2021, amounts due to other governments consisted of the following:

	2022	2021
State of California - miscellaneous	\$ 1,216,039	\$ 1,099,011
SANDAG - project reimbursements	376,814	367,493
North County Transit District - passenger revenue	297,545	367,048
Federal Transit Administration - miscellaneous	228,129	-
Other Governments - miscellaneous	143,144	70,712
City of Lemon Grove - TDA funds	138,506	109,768
City of El Cajon - TDA funds	103,887	100,180
City of Poway - TDA funds	68,617	-
City of La Mesa - TDA funds	58,865	55,670
County of San Diego - miscellaneous	54,332	48,804
City of Chula Vista - miscellaneous	46,106	42,007
City of Coronado - TDA funds	23,547	46,877
City of San Diego - miscellaneous	15,084	112,573
Total due to other governments	<u>\$ 2,770,615</u>	<u>\$ 2,420,143</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 7 – Unearned Revenue

At June 30, 2022 and 2021, unearned revenue consisted of the following:

	2022	2021
Caltrans LCTOP funds received in advance	\$ 18,654,669	\$ 7,104,641
Fare media payments received in advance	7,958,963	2,117,698
STA State of Good Repair funds received in advance	7,066,767	6,957,820
Naming Rights payment received in advance	1,581,435	2,619,000
Other reimbursements received in advance	150,850	601,048
Total unearned revenue	<u>\$ 35,412,684</u>	<u>\$ 19,400,207</u>

Note 8 – Long-Term Liabilities

A. Summary

A summary of changes in long-term obligations for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021 (as restated)	Additions	Reductions	Balance June 30, 2022	Amounts due within one year	Amounts due in more than one year
MTS:						
Compensated absences payable	\$ 1,735,974	\$ 1,013,830	\$ (1,203,011)	\$ 1,546,793	\$ 903,011	\$ 643,782
Accrued damage, injury, and employee claims	1,167,094	300,000	(524,931)	942,163	380,580	561,583
Aggregate net pension liability	15,174,709	3,586,575	(10,582,719)	8,178,565	-	8,178,565
Aggregate total OPEB liability	7,455,121	1,237,171	(144,252)	8,548,040	-	8,548,040
Total MTS	<u>25,532,898</u>	<u>6,137,576</u>	<u>(12,454,913)</u>	<u>19,215,561</u>	<u>1,283,591</u>	<u>17,931,970</u>
MTS Contracted Services:						
Leases payable	9,357,924	-	(162,136)	9,195,788	165,308	9,030,480
Total MTS Contracted Services	<u>9,357,924</u>	<u>-</u>	<u>(162,136)</u>	<u>9,195,788</u>	<u>165,308</u>	<u>9,030,480</u>
San Diego Transit Corporation:						
Pension Obligation Bonds - public offering	7,665,000	-	(2,835,000)	4,830,000	2,985,000	1,845,000
Compensated absences payable	6,651,856	3,176,290	(3,411,677)	6,416,469	3,411,677	3,004,792
Accrued damage, injury, and employee claims	10,787,296	7,192,910	(4,100,000)	13,880,206	4,046,243	9,833,963
Leases payable	650,807	-	(83,508)	567,299	87,884	479,415
Aggregate net pension liability	149,245,705	37,883,757	(60,334,250)	126,795,212	-	126,795,212
Aggregate total OPEB liability	32,247,006	2,234,076	(3,153,029)	31,328,053	-	31,328,053
Total San Diego Transit Corporation	<u>207,247,670</u>	<u>50,487,033</u>	<u>(73,917,464)</u>	<u>183,817,239</u>	<u>10,530,804</u>	<u>173,286,435</u>
San Diego Trolley, Inc.:						
Compensated absences payable	3,500,102	3,050,272	(2,862,235)	3,688,139	2,862,235	825,904
Accrued damage, injury, and employee claims	4,564,903	4,206,772	(2,060,735)	6,710,940	2,119,101	4,591,839
Leases payable	1,407,878	-	(15,265)	1,392,613	17,706	1,374,907
Aggregate net pension liability	38,637,444	17,986,889	(41,477,410)	15,146,923	-	15,146,923
Aggregate total OPEB liability	14,029,534	1,796,047	(1,945,642)	13,879,939	-	13,879,939
Total San Diego Trolley, Inc.	<u>62,139,861</u>	<u>27,039,980</u>	<u>(48,361,287)</u>	<u>40,818,554</u>	<u>4,999,042</u>	<u>35,819,512</u>
Total	<u>\$ 304,278,353</u>	<u>\$ 83,664,589</u>	<u>\$ (134,895,800)</u>	<u>\$ 253,047,142</u>	<u>\$ 16,978,745</u>	<u>\$ 236,068,397</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Liabilities (Continued)

A. Summary (Continued)

A summary of changes in long-term obligations for the year ended June 30, 2021 is as follows:

	Balance July 1, 2020 (as restated)	Additions	Reductions	Balance June 30, 2021	Amounts due within one year	Amounts due in more than one year
MTS:						
Compensated absences payable	\$ 1,441,404	\$ 976,078	\$ (681,508)	\$ 1,735,974	\$ 681,508	\$ 1,054,466
Accrued damage, injury, and employee claims	1,187,158	2,200,000	(2,220,064)	1,167,094	326,768	840,326
Aggregate net pension liability	14,064,659	3,300,696	(2,190,646)	15,174,709	-	15,174,709
Aggregate total OPEB liability	6,405,553	1,372,764	(323,196)	7,455,121	-	7,455,121
Total MTS	23,098,774	7,849,538	(5,415,414)	25,532,898	1,008,276	24,524,622
MTS Contracted Services:						
Leases payable	9,516,947	-	(159,023)	9,357,924	162,135	9,195,789
Total MTS Contracted Services	9,516,947	-	(159,023)	9,357,924	162,135	9,195,789
San Diego Transit Corporation:						
Pension Obligation Bonds - public offering	10,355,000	-	(2,690,000)	7,665,000	2,835,000	4,830,000
Compensated absences payable	6,450,943	3,428,663	(3,227,750)	6,651,856	3,227,750	3,424,106
Accrued damage, injury, and employee claims	10,968,269	2,923,663	(3,104,636)	10,787,296	2,768,554	8,018,742
Leases payable	730,119	-	(79,312)	650,807	83,508	567,299
Aggregate net pension liability	144,780,361	24,376,647	(19,911,303)	149,245,705	-	149,245,705
Aggregate total OPEB liability	29,271,435	4,422,126	(1,446,555)	32,247,006	-	32,247,006
Total San Diego Transit Corporation	202,556,127	35,151,099	(30,459,556)	207,247,670	8,914,812	198,332,858
San Diego Trolley, Inc.:						
Compensated absences payable	3,114,759	2,827,036	(2,441,693)	3,500,102	2,441,693	1,058,409
Accrued damage, injury, and employee claims	4,295,855	1,592,951	(1,323,903)	4,564,903	1,283,636	3,281,267
Leases payable	1,420,851	-	(12,973)	1,407,878	15,266	1,392,612
Aggregate net pension liability	35,346,261	17,494,311	(14,203,128)	38,637,444	-	38,637,444
Aggregate total OPEB liability	12,642,417	1,971,611	(584,494)	14,029,534	-	14,029,534
Total San Diego Trolley, Inc.	56,820,143	23,885,909	(18,566,191)	62,139,861	3,740,595	58,399,266
Total	<u>\$ 291,991,991</u>	<u>\$ 66,886,546</u>	<u>\$ (54,600,184)</u>	<u>\$ 304,278,353</u>	<u>\$ 13,825,818</u>	<u>\$ 290,452,535</u>

Long-term debt is reported in the accompanying statement of net position as follows:

	2022		2021	
	Due Within One Year	Noncurrent Liabilities	Due Within One Year	Noncurrent Liabilities
Long-Term Liabilities:				
Compensated absences payable	\$ 7,176,923	\$ 4,474,478	\$ 6,350,951	\$ 5,536,981
Accrued damage, injury, and employee claims	6,545,924	14,987,385	4,378,958	12,140,335
Leases payable	270,898	10,884,802	260,909	11,155,700
Long-term debt	2,985,000	1,845,000	2,835,000	4,830,000
Aggregate net pension liability	-	150,120,700	-	203,057,858
Aggregate total OPEB liability	-	53,756,032	-	53,731,661
Total long-term liabilities	<u>\$ 16,978,745</u>	<u>\$ 236,068,397</u>	<u>\$ 13,825,818</u>	<u>\$ 290,452,535</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Liabilities (Continued)

B. Pension Obligation Bonds

In October 2004, MTS issued \$77,490,000 of Taxable Pension Obligation Bonds (POBs) for the benefit of SDTC. The purpose of the bonds was to make contributions to the San Diego Transit Corporation Retirement Plan and reduce its unfunded liability. This is in essence a hedge versus the assumed investment rate of 6.75% used by the actuary to determine the Actuarial Accrued Liability. The proceeds less fees were invested into the retirement plan. The bonds are secured by a pledge of farebox revenues and, in the event of default, MTS shall cause the transfer of farebox revenues to be maintained and controlled by the bond trustee until the amounts deposited are sufficient to pay all debt service payments owed plus default interest at a rate of the non-default interest rate plus 3% from the date the event of default occurred. The bonds consist of the following:

Series A Bonds of \$38,690,000 are fixed rate bonds that mature in annual installments between 2006 and 2024 and bear an interest rate from 2.58% to 5.15% increasing progressively over the maturities. Interest is due and payable semi-annually on June 1 and December 1. Principal is due and payable each year on December 1.

At June 30, 2022 and 2021, the outstanding balance of the Pension Obligation Bonds is \$4,830,000 and \$7,655,000, respectively. The required payments for the Pension Obligation Bonds, including interest, are:

Year ending June 30	Principal	Interest	Total
2023	\$ 2,985,000	\$ 171,881	\$ 3,156,881
2024	1,845,000	47,509	1,892,509
Total	<u>\$ 4,830,000</u>	<u>\$ 219,390</u>	<u>\$ 5,049,390</u>

C. Lease Payable

MTS has entered into leases for land and building use. The remaining terms on the leases range from 2 to 39 years. The calculated interest rates used range between 0.86% and 1.94% depending on the length of the lease.

At June 30, 2022 and 2021, the outstanding balance of the leases is \$11,155,700 and \$11,416,609, respectively.

Principal and interest payments to maturity as of June 30, 2022 are as follows:

Year ending June 30	Principal	Interest	Total
2023	\$ 270,898	\$ 210,642	\$ 481,540
2024	281,292	205,987	487,279
2025	291,195	201,163	492,358
2026	266,501	196,376	462,877
2027	274,893	191,535	466,428
2028-2032	1,304,451	883,174	2,187,625
2033-2037	1,353,831	759,954	2,113,785
2038-2042	1,607,672	616,948	2,224,620
2043-2047	1,575,314	454,240	2,029,554
2048-2052	1,395,495	317,125	1,712,620
2053-2057	1,537,520	175,100	1,712,620
2058-2061	996,638	30,934	1,027,572
Total	<u>\$ 11,155,700</u>	<u>\$ 4,243,178</u>	<u>\$ 15,398,878</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 8 – Long-Term Liabilities (Continued)

C. Lease Payable (Continued)

In addition to the lease obligations reported above, MTS has one additional sublease with the County of San Diego. The amount due each year is based on actual operating and capital costs. Since these amounts can vary significantly year over year, they are not included in our lease liability calculations. For fiscal years 2022 and 2021, total lease payments for the sublease were \$1,558,450 and \$1,029,256, respectively.

Note 9 – Risk Management

MTS (including SDTC, SDTI, and MTS – Contracted Services) is self-insured for third party liability claims to a maximum of \$5,000,000 per occurrence. Amounts in excess of the self-insured retention limits for public liability are covered through commercial insurance carriers up to \$75,000,000. No stop loss or cap coverage is purchased above the \$75,000,000 limits. MTS, SDTC, and SDTI purchase all-risk (excluding earthquake) insurance coverage for property damage up to \$600,000,000 per occurrence with deductibles ranging from \$25,000 to \$1,500,000, depending on the type of property and peril involved. In addition, MTS, SDTC, and SDTI are self-insured for costs arising from employee workers’ compensation act benefit claims including employer’s liability to a retained limit of \$1,000,000 per occurrence. Amounts in excess of \$1,000,000 are insured up to statutory limits. MTS, SDTC, and SDTI all finance their respective unemployment insurance liabilities. MTS, SDTC and SDTI have policies for crime coverage through commercial insurance as well as cyber liability insurance to protect the agencies from third party claims alleging computer security breaches. The crime coverage policy has a limit of \$1,000,000 subject to a \$5,000 deductible and the cyber liability policy has a limit of \$12,000,000 subject to a \$250,000 deductible. These policies protect against theft, loss or unauthorized disclosure of personally identifiable information. SDTC purchases fiduciary liability coverage through commercial insurance to protect the agency from claims alleging mismanagement of the SDTC Employees' Retirement Plan. The fiduciary liability coverage policy has a limit of \$2,000,000 subject to a \$25,000 deductible.

Claim expenditures and liabilities in connection with these self-insurance programs are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported based upon past experience, modified for current trends and information. Claim payments up to \$5,000,000 per incident are recorded as risk management expenses in the statements of revenues, expenses, and changes in net position. Claim payments did not exceed insurance coverage in any of the past three years.

	Beginning of fiscal year	Current year claims and changes in estimates	Claims payments	End of fiscal year
2020	\$ 15,836,651	\$ 4,796,631	\$ (4,182,000)	\$ 16,451,282
2021	16,451,282	5,168,011	(5,100,000)	16,519,293
2022	16,519,293	10,914,016	(5,900,000)	21,533,309

Following is a summary of accrued damage, injury, and employee claims for fiscal years 2022 and 2021:

	2022	2021
Current portion	\$ 6,545,924	\$ 4,378,958
Non-current portion	14,987,385	12,140,335
Total	<u>\$ 21,533,309</u>	<u>\$ 16,519,293</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 9 – Risk Management (Continued)

MTS has established a policy to consolidate the minimum balances required in the liability claims reserve accounts of SDTC and SDTI to be held by MTS. The policy also established eligible uses for the MTS reserve account, which included the reimbursement to SDTC and SDTI of awards/settlements of individual liability claims for personal injury and/or property damage in excess of \$300,000, but within the self-insurance retention at SDTC and SDTI. In connection with these self-insurance programs, liabilities for MTS, SDTC and SDTI were \$21,533,309 at June 30, 2022 and \$16,519,293 at June 30, 2021.

The Board has designated \$5,000,000 for the purposes of funding the future claims liabilities of MTS, SDTC, and SDTI.

Note 10 – Commitments and Contingencies

Pending legal actions. MTS, SDTC and SDTI have been named in certain legal actions pending at June 30, 2022. While the outcome of these lawsuits is not presently determinable, in the opinion of management of MTS, SDTC and SDTI, based in part on the advice of counsel, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of MTS, SDTC, or SDTI, or is adequately covered by insurance.

Pledged Revenue. SDTC has pledged future revenues pursuant to the provision of the Pension Obligation Bonds issued by SDTC in FY 2004.

Note 11 – Other Postemployment Benefits

Generally accepted accounting policies require that the reported results for total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense must pertain to certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 - June 30, 2021

Plan Description: MTS contracts with a third party to provide MTS retirees, SDTI retirees, and SDTC Management retirees a nationwide private health care exchange in a single employer post-employment benefit plan. The third party also provides non-commissioned benefit advisors to assist retirees in determining the health plan that best suits their needs. MTS funds a Health Reimbursement Arrangement (HRA) account for each eligible retiree to offset the cost of the healthcare they purchase through the exchange. The amount of the HRA contribution is based on the retiree's years of service/former position/Medicare eligibility and ranges between \$100 and \$1,300 per month. SDTC union employees receive retirement benefits through health and welfare trust funds established for the benefit of active and retired members of the unions that represent SDTC employees. SDTC contributed \$1,045 per active employee each month to the fund for ATU, Local 1309 represented employees through December 2021 and \$1,052 per active employee each month to the fund for IBEW, Local 465 represented employees through March 2022. The Trust boards have full discretion on how these funds are spent to provide benefits for active and retired employees. Currently, the Trust offers retirees the opportunity to participate in a Kaiser HMO plan and an out-of-area reimbursement stipend is available only to those grandfathered in to receive such benefit. Both unions are in the process of dissolving the Trusts and the Kaiser plans will transition to SDTC plans in fiscal year 2023.

Eligibility. Employees are eligible after attaining age/service years of 55/10 for MTS and SDTI management, 55/15 for SDTI union, 55/10 for SDTC management, and 55/5 for SDTC unions.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

Employees Covered

As of the June 30, 2022 (measurement date 2021), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	170	507	793
Inactive employees or beneficiaries currently receiving benefits	26	51	249
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	196	558	1,042

As of the June 30, 2021 (measurement date 2020), the following current and former employees were covered by the benefit terms:

	MTS	SDTI	SDTC
Active employees	158	575	812
Inactive employees or beneficiaries currently receiving benefits	24	48	226
Inactive employees entitled to but not yet receiving benefits	-	-	-
Total	182	623	1,038

Actuarial Assumptions

The total OPEB liability, as of June 30, 2022 (measurement date 2021), was determined using the following actuarial assumptions:

	MTS	SDTI	SDTC
Actuarial Cost Method	Entry Age Cost Method (level percentage of pay)		
Valuation Date	June 30, 2021		
Measurement Date	June 30, 2021		
Actuarial Assumptions:			
Discount Rate	2.18% per annum		
Inflation	2.75% per annum		
Salary Increases	2.75% per annum, plus CalPERS Merit Scale		
Investment Rate of Return	N/A		
Medical Trend Rates	7.50%, decreasing 0.25% per year		
Dental Trend Rates	4% per annum		
Mortality Rate	SOA PUB-2010 General Headcount Weighted Mortality Table - Scale MP-2021		
Pre-Retirement Turnover	2021 CalPERS Experience Study	Management 3-10% Union 2-25%	

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18% percent as of the measurement date June 30, 2021 and 2.66% as of the measurement date June 30, 2020. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index as published by S&P Dow Jones Indices as of June 30, 2021. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's or AA by Fitch. If there are multiple ratings, the lowest rating is used.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for year ended June 30, 2022 (measurement date 2021):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	1.18%	1.18%	1.18%	1.18%
Total OPEB Liability	\$ 10,267,089	\$ 16,473,117	\$ 37,061,542	\$ 63,801,748
Current Discount Rate	2.18%	2.18%	2.18%	2.18%
Total OPEB Liability	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032
1% Increase	3.18%	3.18%	3.18%	3.18%
Total OPEB Liability	\$ 7,183,547	\$ 11,798,764	\$ 26,707,418	\$ 45,689,729

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for the year ended June 30, 2021 (measurement date 2020):

	MTS	SDTI	SDTC	Aggregate
1% Decrease	1.66%	1.66%	1.66%	1.66%
Total OPEB Liability	\$ 8,947,600	\$ 16,427,073	\$ 37,419,407	\$ 62,794,080
Current Discount Rate	2.66%	2.66%	2.66%	2.66%
Total OPEB Liability	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
1% Increase	3.66%	3.66%	3.66%	3.66%
Total OPEB Liability	\$ 6,278,591	\$ 12,097,551	\$ 28,068,088	\$ 46,444,230

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the year ended June 30, 2022 (measurement date 2021):

	<u>MTS</u>	<u>SDTI</u>	<u>SDTC</u>	<u>Aggregate</u>
1% Decrease in Healthcare Cost Trend Rate			6.50% HMO/PPO decreasing to	
			<u>3.00% HMO/PPO</u>	
Total OPEB Liability	\$ 6,838,555	\$ 11,336,781	\$ 25,946,435	\$ 44,121,771
Current Healthcare Cost Trend Rate			7.50% HMO/PPO decreasing to	
			<u>4.00% HMO/PPO</u>	
Total OPEB Liability	\$ 8,548,040	\$ 13,879,939	\$ 31,328,053	\$ 53,756,032
1% Increase in Healthcare Cost Trend Rate			8.50% HMO/PPO decreasing to	
			<u>5.00% HMO/PPO</u>	
Total OPEB Liability	\$ 10,867,666	\$ 17,250,693	\$ 38,415,839	\$ 66,534,198

The following presents the total OPEB liability of MTS, SDTI and SDTC, as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, for the period ended June 30, 2021 (measurement date 2020).

	<u>MTS</u>	<u>SDTI</u>	<u>SDTC</u>	<u>Aggregate</u>
1% Decrease in Healthcare Cost Trend Rate			5.25% HMO/PPO decreasing to	
			<u>3.50% HMO/PPO</u>	
Total OPEB Liability	\$ 5,973,762	\$ 11,975,373	\$ 27,424,199	\$ 45,373,334
Current Healthcare Cost Trend Rate			6.25% HMO/PPO decreasing to	
			<u>4.50% HMO/PPO</u>	
Total OPEB Liability	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
1% Increase in Healthcare Cost Trend Rate			7.25% HMO/PPO decreasing to	
			<u>5.50% HMO/PPO</u>	
Total OPEB Liability	\$ 9,455,297	\$ 16,678,351	\$ 38,426,193	\$ 64,559,841

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

Change in Total OPEB Liability

At June 30, 2022, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2021	\$ 7,455,121	\$ 14,029,534	\$ 32,247,006	\$ 53,731,661
Changes Recognized for the Measurement Period:				
Service Cost	559,935	577,191	1,354,186	2,491,312
Interest on the total OPEB liability	211,713	386,140	879,890	1,477,743
Difference between expected and actual experience	(31,742)	(1,764,102)	(1,192,985)	(2,988,829)
Changes in assumptions	465,523	832,716	(907,986)	390,253
Benefit payments	(112,510)	(181,540)	(1,052,058)	(1,346,108)
Net Changes	1,092,919	(149,595)	(918,953)	24,371
Balance at June 30, 2022	<u>\$ 8,548,040</u>	<u>\$ 13,879,939</u>	<u>\$ 31,328,053</u>	<u>\$ 53,756,032</u>

At June 30, 2021, the change in the Total OPEB liability is as follows:

	MTS	SDTI	SDTC	Aggregate
Balance at June 30, 2020	\$ 6,405,553	\$ 12,642,417	\$ 29,271,435	\$ 48,319,405
Changes Recognized for the Measurement Period:				
Service Cost	544,949	561,743	1,317,943	2,424,635
Interest on the total OPEB liability	217,111	412,287	947,591	1,576,989
Difference between expected and actual experience	(206,133)	(351,313)	(424,383)	(981,829)
Changes in assumptions	610,704	997,581	2,156,592	3,764,877
Benefit payments	(117,063)	(233,181)	(1,022,172)	(1,372,416)
Net Changes	1,049,568	1,387,117	2,975,571	5,412,256
Balance at June 30, 2021	<u>\$ 7,455,121</u>	<u>\$ 14,029,534</u>	<u>\$ 32,247,006</u>	<u>\$ 53,731,661</u>

Contributions

The contribution requirements of plan members and MTS, SDTI and SDTC are established and may be amended by MTS Management or the Board of Directors. The contribution required to be made is based on a pay-as-you-go basis (i.e., as medical insurance premiums become due).

For fiscal years 2022 and 2021, the following contributions were made:

	MTS	SDTI	SDTC	Aggregate
2022 Contributions	\$ 110,701	\$ 138,350	\$ 977,243	\$ 1,226,294
2021 Contributions	\$ 112,510	\$ 181,540	\$ 1,052,058	\$ 1,346,108

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022 and 2021, OPEB expense is included in the accompanying statement of revenues, expenses, and changes in net position as follows:

	MTS	SDTI	SDTC	Aggregate
2022 OPEB Expense	\$ 757,826	\$ 862,153	\$ 1,510,463	\$ 3,130,442
2021 OPEB Expense	\$ 714,871	\$ 950,468	\$ 1,804,542	\$ 3,469,881

At June 30, 2022, (measurement date 2021) MTS, SDTI and SDTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MTS		SDTI	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 110,701	\$ -	\$ 138,350	\$ -
Difference between expected and actual experience	-	(434,191)	167,600	(1,904,531)
Changes in assumptions	1,030,506	(345,843)	1,752,930	(518,447)
Total	\$ 1,141,207	\$ (780,034)	\$ 2,058,880	\$ (2,422,978)

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 977,243	\$ -	\$ 1,226,294	\$ -
Difference between expected and actual experience	-	(2,778,679)	167,600	(5,117,401)
Changes in assumptions	2,204,863	(1,335,048)	4,988,299	(2,199,338)
Total	\$ 3,182,106	\$ (4,113,727)	\$ 6,382,193	\$ (7,316,739)

At June 30, 2021, (measurement date 2020) MTS, SDTI and SDTC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	MTS		SDTI	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 112,510	\$ -	\$ 181,540	\$ -
Difference between expected and actual experience	-	(453,160)	188,550	(319,375)
Changes in assumptions	668,952	(412,923)	1,101,972	(643,386)
Total	\$ 781,462	\$ (866,083)	\$ 1,472,062	\$ (962,761)

	SDTC		Aggregate	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 1,052,058	\$ -	\$ 1,346,108	\$ -
Difference between expected and actual experience	-	(2,141,998)	188,550	(2,914,533)
Changes in assumptions	2,621,291	(1,010,799)	4,392,215	(2,067,108)
Total	\$ 3,673,349	\$ (3,152,797)	\$ 5,926,873	\$ (4,981,641)

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 11 – Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

The combined \$1,226,294 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023 compared to the combined \$1,346,108 reported in previous year.

As of the June 30, 2022 (measurement date 2021), other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	MTS	SDTI	SDTC	Aggregate
2023	\$ (13,822)	\$ (101,178)	\$ (723,612)	\$ (838,612)
2024	(13,822)	(101,178)	(323,696)	(438,696)
2025	(13,822)	(101,178)	(253,374)	(368,374)
2026	(13,822)	(101,182)	(253,369)	(368,373)
2027	(13,822)	5,074	(46,095)	(54,843)
Thereafter	319,582	(102,806)	(308,718)	(91,942)
Total	<u>\$ 250,472</u>	<u>\$ (502,448)</u>	<u>\$ (1,908,864)</u>	<u>\$ (2,160,840)</u>

As of the measurement date June 30, 2021 (measurement 2020), other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	MTS	SDTI	SDTC	Aggregate
2022	\$ (47,189)	\$ (23,562)	\$ (460,992)	\$ (531,743)
2023	(47,189)	(23,562)	(460,991)	(531,742)
2024	(47,189)	(23,562)	(61,075)	(131,826)
2025	(47,189)	(23,562)	9,247	(61,504)
2026	(47,189)	(23,566)	9,252	(61,503)
Thereafter	38,814	445,575	433,053	917,442
Total	<u>\$ (197,131)</u>	<u>\$ 327,761</u>	<u>\$ (531,506)</u>	<u>\$ (400,876)</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems

A. Summary

Aggregate Net Pension Liability

Aggregate Net Pension Liability is reported in the accompanying statements of net position as follows:

	2022	2021
MTS CalPERS Plans	\$ 8,178,565	\$ 15,174,709
SDTI CalPERS Plans	15,254,085	37,167,783
SDTI PARS Plan	(107,162)	1,469,661
SDTC Retirement Plan	126,795,212	149,245,705
Total	\$ 150,120,700	\$ 203,057,858

Deferred Outflows of Resources

Deferred Outflows of Resources at June 30, 2022 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Differences Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,772,487	\$ 917,138	\$ -	\$ -	\$ 245,106	\$ 427,964	\$ 4,362,695
SDTI CalPERS Plans	5,769,619	1,269,483	-	-	-	-	7,039,102
SDTI PARS Plan	348,656	-	-	-	-	-	348,656
SDTC Retirement Plan	15,838,082	1,780,436	-	5,107,592	-	-	22,726,110
Total	\$ 24,728,844	\$ 3,967,057	\$ -	\$ 5,107,592	\$ 245,106	\$ 427,964	\$ 34,476,563

Deferred Outflows of Resources at June 30, 2021 are reported in the accompanying statement of net position as follows:

	Contributions Made After Measurement Date	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Differences Between Employer's Contributions and Proportionate Share of Contributions	Total
MTS CalPERS Plans	\$ 2,580,445	\$ 781,998	\$ 450,789	\$ -	\$ 338,721	\$ 424,786	\$ 4,576,739
SDTI CalPERS Plans	5,237,955	1,886,001	1,237,074	1,578,401	-	-	9,939,431
SDTI PARS Plan	358,878	-	198,181	-	-	-	557,059
SDTC Retirement Plan	23,718,402	-	11,519,178	-	-	-	35,237,580
Total	\$ 31,895,680	\$ 2,667,999	\$ 13,405,222	\$ 1,578,401	\$ 338,721	\$ 424,786	\$ 50,310,809

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

A. Summary (Continued)

Deferred Inflows of Resources

Deferred Inflows of Resources at June 30, 2022 are reported in the accompanying statement of net position as follows:

	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Total
MTS CalPERS Plans	\$ -	\$ 7,139,455	\$ -	\$ -	\$ 7,139,455
SDTI CalPERS Plans	317,006	15,437,677	195,434	-	15,950,117
SDTI PARS Plan	43,737	1,038,809	27,362	-	1,109,908
SDTC Retirement Plan	-	10,175,811	-	-	10,175,811
Total	\$ 360,743	\$ 33,791,752	\$ 222,796	\$ -	\$ 34,375,291

Deferred Inflows of Resources at June 30, 2021 are reported in the accompanying statement of net position as follows:

	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Earnings on Pension Plan Investments	Changes in Assumptions	Changes in Employer's Proportion	Total
MTS CalPERS Plans	\$ -	\$ -	\$ 108,233	\$ 50,875	\$ 159,108
SDTI CalPERS Plans	700,204	-	412,584	-	1,112,788
SDTI PARS Plan	153,082	-	95,765	-	248,847
SDTC Retirement Plan	1,579,972	-	-	-	1,579,972
Total	\$ 2,433,258	\$ -	\$ 616,582	\$ 50,875	\$ 3,100,715

Pension Expense

Pension expense is included in the accompanying statements of revenues, expenses, and changes in net position as follows:

	2022	2021
MTS CalPERS Plans	\$ 2,970,733	\$ 3,391,459
SDTI CalPERS Plans	1,593,579	7,273,908
SDTI PARS Plan	(158,702)	206,884
SDTC Retirement Plan	14,494,898	20,248,875
Total	\$ 18,900,508	\$ 31,121,126

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS

General Information about the Pension Plans

Plan Description – All MTS management employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the MTS Miscellaneous, MTS Miscellaneous PEPRAs, or MTS Miscellaneous Second Tier cost-sharing multiple-employer defined benefit pension plans administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment and can only be amended by the MTS Board of Directors.

The Plan’s provisions and benefits in effect as of June 30, 2022 are summarized as follows:

MTS Miscellaneous Plan–1223
CLOSED TO NEW MEMBERS

Hire date	Prior to December 24, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50–55
Monthly benefits, as a % of eligible compensation	2.0%–2.7%
Required employee contribution rates	8.00%
Required employer contribution rates	36.20%
Pre-Retirement Death Benefit	Optional Settlement 2W
Post-Retirement Death Benefit	\$500 Lump Sum
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

General Information about the Pension Plans (Continued)

MTS Miscellaneous Second Tier Plan – 30134

Hire date	On or Between December 24 and 31, 2012 or Grandfathered classic members
Benefit formula	2.0% @ 60
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50–63
Monthly benefits, as a % of eligible compensation	1.092%–2.418%
Required employee contribution rates	7.00%
Required employer contribution rates	9.85%
Pre–Retirement Death Benefit	Optional Settlement 2W
Post–Retirement Death Benefit	\$500 Lump Sum
Non–Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

MTS PEPRA Miscellaneous Plan – 26789

Hire date	On or after January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	36 months
Retirement age	52–67
Monthly benefits, as a % of eligible compensation	1.0–2.5%
Required employee contribution rates	6.75%
Required employer contribution rates	8.12%
Pre–Retirement Death Benefit	Optional Settlement 2W
Post–Retirement Death Benefit	\$500 Lump Sum
Non–Industrial Standard Disability	1.8% of final compensation multiplied by service
COLA	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Employees Covered – At June 30, 2022 (measurement date 2021) and June 30, 2021 (measurement date 2020), the following employees were covered by the benefit terms:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	149	114
Inactive employees entitled to but not yet receiving benefits	58	61
Active employees	156	162
Total	363	337

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS’ annual actuarial valuation process. For public agency cost-sharing plans, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2022 and 2021 (measurement date 2021 and 2020), the active employee contribution rates and average employer contribution rates were as follows:

	2022		2021	
	Employee Contribution Rate	Employer Contribution Rate	Employee Contribution Rate	Employer Contribution Rate
	MTS - Miscellaneous Plan-1223	8.00%	36.20%	8.00%
MTS Miscellaneous Second Tier Plan - 30134	7.00%	9.85%	7.00%	9.95%
MTS PEPRM Miscellaneous Plan - 26789	6.75%	8.12%	6.75%	8.30%

For the years ended June 30, 2022 and 2021 (measurement date 2021 and 2020), the plan's proportionate share of aggregate contributions recognized as part of pension expense were:

	2022	2021
Contributions - employer	\$ 2,265,608	\$ 2,024,949
Contributions - employee	630,069	609,496

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2022 and 2021 (measurement dates 2021 and 2020), MTS reported \$8,178,565 and \$15,174,709 net pension liabilities for its proportionate share of the aggregate net pension liability.

MTS Plans' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. MTS's proportion of the net pension liability was based on a projection of the MTS's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2020). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2021). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2021 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2021).
- (3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

MTS's proportionate share of the net pension liability as of June 30, 2021, 2020, and 2019 (measurement dates) were as follows:

Proportion June 30, 2019	0.13726%
Proportion June 30, 2020	0.13947%
Change - Increase (Decrease)	0.00221%
Proportion June 30, 2021	0.15122%
Change - Increase (Decrease)	0.01175%

For the years ended June 30, 2022 and 2021, MTS recognized pension expense of \$2,970,733 and \$3,391,459, respectively. At June 30, 2022 and 2021, MTS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 2,772,487	\$ -	\$ 2,580,445	\$ -
Differences between expected and actual experience	917,138	-	781,998	-
Changes in assumptions	-	-	-	(108,233)
Change in employer's proportion	245,106	-	338,721	(50,875)
Differences between actual and proportionate share of employer contributions	427,964	-	424,786	-
Differences between projected and actual earnings on pension plan investments	-	(7,139,455)	450,789	-
Total	\$ 4,362,695	\$ (7,139,455)	\$ 4,576,739	\$ (159,108)

The \$2,772,487 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, 2023.

As of the measurement date June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2023	\$ (917,696)
2024	(1,154,261)
2025	(1,504,312)
2026	(1,972,978)
2027	-
Total	\$ (5,549,247)

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

In the previous year, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2022	\$ 491,297
2023	674,931
2024	454,747
2025	216,211
2026	-
Total	<u>\$ 1,837,186</u>

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.15% (1)
Mortality	derived using CalPERS membership data for all funds (2)

(1) Net of pension plan investment expenses.

(2) The mortality table used was developed based on CalPERS specific data.

The table includes 15 years of mortality improvements using Society of Actuaries Scales 90% of scale MP 2016.

Change in Assumptions – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In both the current and prior year, the actuarial report did not have a change of assumption. Further details of the Experience Study can be found on the CalPERS website.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (a) In the System's ACFR, Fixed Income is included in Global Debt Securities;
Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) an expected inflation of 2.00% for this period
- (c) an expected inflation of 2.92% for this period

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

B. MTS (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents MTS’s proportionate share of the net pension liability as of June 30, 2022 and 2021, calculated using the discount rate, as well as what MTS’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2022	2021
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 16,863,735	\$ 23,225,277
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 8,178,565	\$ 15,174,709
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 998,659	\$ 8,522,776

Pension Plan Fiduciary Net Position – Detailed information about MTS’s pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – At June 30, 2022, MTS reported a payable of \$34,149 for the outstanding amount of contributions to the pension plan required for the current year compared to \$27,514 for the year ended June 30, 2021.

C. SDTI

1. CalPERS Plans

Plan Description – All SDTI employees working the equivalent of 1,000 hours per fiscal year are eligible to participate in the SDTI Miscellaneous or PEPRM Miscellaneous Plan, Agent Multiple–Employer defined benefit plans administered by California Public Employees’ Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit Provisions under the Plans are established by State statutes within the Public Employee’s Retirement Law. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street, Sacramento, CA 95814.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan members include both contract and non–contract employees. Benefits are based on years of credited service, equal to one year of full–time employment and can only be amended by the MTS Board of Directors.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

1. CalPERS Plans (Continued)

The Plans' provisions and benefits in effect as of June 30, 2022 are summarized as follows:

San Diego Trolley Miscellaneous Plan – 1406
Closed to New Members

	Management Employees	Union Employees
Hire date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	12 months	12 months
Retirement age	50–63	50–63
Monthly benefits, as a % of eligible compensation	1.426–2.418%	1.426–2.418%
Required employee contribution rates	8.00%	10.08%
Required employer contribution rates	16.16%	14.08%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum	\$500 Lump Sum
COLA	2.00%	2.00%
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service	1.8% of final compensation multiplied by service

San Diego Trolley PEPRA Miscellaneous Plan – 26965

Hire date	On or After January 1, 2013
Benefit formula	2.0% @ 62
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	36 months
Retirement age	52–67
Monthly benefits, as a % of eligible compensation	1.0–2.5%
Required employee contribution rates	6.25%
Required employer contribution rates	17.16%
Pre-Retirement Death Benefit	1959 Survivor Benefit Level 2
Post-Retirement Death Benefit	\$500 Lump Sum
COLA	2.00%
Non-Industrial Standard Disability	1.8% of final compensation multiplied by service

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

2. PARS Plan

Plan Description – All full-time SDTI management employees employed between October 1, 2003 and December 24, 2012 are eligible to participate in the PARS Retirement Enhancement Plan, a defined benefit plan held by the Public Agency Retirement System Trust, an agent multiple employer retirement trust under Internal Revenue Service Code Section 401(a). The Plan is administered by Public Agency Retirement Services (PARS). Separate information for the Plan is included in another financial report issued by PARS. Copies of the financial report can be obtained in writing from Public Agency Retirement Services, 4350 Von Karman Avenue, Suite 100, Newport Beach, CA 92660.

Benefits Provided – PARS provides supplemental service retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Members are eligible to receive benefits if they have retired under CalPERS, have terminated employment, or had their position eliminated due to internal reorganization or mandatory operating budget reductions after January 1, 2004. The Plan benefit supplements member's CalPERS benefit to provide members with an enhanced retirement benefit and MTS management has the authority to amend the Plan's benefit terms. The monthly lifetime benefit is calculated by taking the difference between (1) and (2) below and multiplying it by one-twelfth (1/12):

- (1) PARS Age Factor x Benefit Service x Highest Average Annual Compensation (Subject to CalPERS Deductions) during the Last 12 Months of Employment
- (2) CalPERS Age Factor x Benefit Service x Highest Average Annual Compensation (Subject to CalPERS Deductions) during the Last 12 Months of Employment

The Plan's provisions and benefits in effect as of June 30, 2022 are summarized as follows:

San Diego Trolley PARS Plan
CLOSED TO NEW MEMBERS

Hire date	Prior to January 1, 2013
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Final Average Compensation Period	12 months
Retirement age	50–63
Monthly benefits, as a % of eligible compensation	0.282–0.574%
Required employee contribution rates	Not Required or Permitted
Required employer contribution rates	8.76%
Pre-Retirement Death Benefit	None
Post-Retirement Death Benefit	Joint-and-100% Survivor Option
Disability Retirement Benefit	None
COLA	2.00%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Employees Covered

At June 30, 2022 and 2021 (measurement dates 2021 and 2020), the following employees were covered by the benefit terms for each Plan:

	CalPERS Plan		PARS Plan	
	2022	2021	2022	2021
Inactive employees or beneficiaries currently receiving benefits	299	261	54	50
Inactive employees entitled to but not yet receiving benefits	104	92	1	1
Active employees	616	604	41	45

*SDTI PEPRA Plan is included in the SDTI Miscellaneous Plan June 30, 2020 valuation report.

Contributions

1. CalPERS Plans

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

For the years ended June 30, 2022 and 2021 (measurement dates 2021 and 2020), the active employee contribution rates and average employer contribution rates were as follows:

	2022		2021	
	Employee	Employer	Employee	Employer
SDTI Miscellaneous Plan 1406 - Management EE	8.00%	16.16%	8.00%	15.32%
SDTI Miscellaneous Plan 1406 - Union EE	10.08%	14.08%	9.66%	13.66%
SDTI Miscellaneous PEPRA Plan 26965	6.25%	17.16%	6.25%	16.32%

For the years ended June 30, 2022 and 2021 (measurement dates 2021 and 2020), the contributions recognized as part of pension expense were:

	CalPERS Plans	
	2022	2021
Contributions - employer	\$ 5,237,955	\$ 4,532,160
Contributions - employees	2,398,196	2,108,348

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Contributions (Continued)

2. PARS Plan

Employer contribution rates for the PARS plan are contractually established by the Plan's administrator and agreed to by the employer, and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined biannually on an actuarial basis as of June 30 by PARS. For the years ended June 30, 2021 and June 30, 2020 (measurement date), the employer's contribution rate is 8.76%.

For the years June 30, 2022 and 2021 (measurement date 2021 and 2020), the contributions recognized as part of pension expense were:

	PARS Plan	
	2022	2021
Contributions - employer	\$ 358,878	\$ 418,735
Contributions - employees	-	-

Net Pension Liability

1. CalPERS Plans

SDTI's net pension liability 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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	varies by entry age and service
Payroll Growth	2.75%
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS's Membership Data for all Funds (2)
Post Retirement Benefit Increase	Contract COLA up to 2.5% until Purchasing Power applies, 2.5% thereafter

(1) Net of pension plan investment and administrative expenses; includes inflation

(2) The mortality table used was developed based on CalPERS's specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

Changes in Assumptions – In both the current and prior years, the actuarial report did not have any changes in assumptions.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

1. CalPERS Plans (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB 68 section.

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

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11–60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (a) In the System’s ACFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
- (b) an expected inflation of 2.00% for this period
- (c) an expected inflation of 2.92% for this period

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

2. PARS Plan

The net pension liability for the PARS 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, 2021, using an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases Including Inflation	Graded rates based on years of services, 3.60% after 22 years of service
Payroll Growth	2.75%
Investment Rate of Return	6.50%
Pre-Retirement Mortality	Consistent with Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans
Post Retirement Benefit Increase	Consistent with Non-Industrial rates used to value the Miscellaneous CALPERS Pension Plans

Change in Assumptions – In the current year, the actuarial report did not have any changes in assumptions. In the prior year, the inflation rate was lowered from 2.75% to 2.50%. In the prior year, the payroll growth rate was lowered from 3.00% to 2.75%.

Discount Rate – The discount rate used to measure the total pension liability was 6.50 percent.

A formal cash flow projection was not performed as described under Paragraph 27 of GASB Statement 68. However, Paragraph 29 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Net Pension Liability (Continued)

2. PARS Plan (Continued)

Discount Rate (Continued)

The best estimate for the long-term expected rate of return of 6.50 percent was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The table below reflects long-term expected real rate of return presented as arithmetic and geometric means by asset class.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return (a)	Long-Term Expected Geometric Real Rate of Return (a)
U.S. Cash	1.22%	-0.32%	-0.32%
U.S. Core Fixed Income	36.04%	1.37%	1.26%
U.S. Equity Market	47.25%	5.33%	3.70%
Foreign Developed Equity	7.97%	6.27%	4.52%
Emerging Market Equities	5.52%	8.64%	4.95%
U.S. REITs	2.00%	5.75%	3.57%

(a) Assumed inflation: 2.30% mean and 1.16% standard deviation

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents SDTI's net pension liability at June 30, 2022 and 2021, calculated using the discount rate, as well as what SDTI's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	CalPERS Plan		PARS Plan	
	2022	2021	2022	2021
1% Decrease	6.15%	6.15%	5.50%	5.50%
Net Pension Liability	\$ 41,181,293	\$ 61,934,507	\$ 1,023,280	\$ 2,579,161
Current Discount Rate	7.15%	7.15%	6.50%	6.50%
Net Pension Liability	\$ 15,254,085	\$ 37,167,783	\$ (107,162)	\$ 1,469,661
1% Increase	8.15%	8.15%	7.50%	7.50%
Net Pension Liability	\$ (6,130,390)	\$ 16,751,201	\$ (1,055,567)	\$ 540,500

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Changes in the Net Pension Liability

1. CalPERS Plans

At June 30, 2022 (measurement date 2021), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2021	\$ 174,307,843	\$ 137,140,060	\$ 37,167,783
Changes in the year:			
Service cost	4,670,260	-	4,670,260
Interest on the total pension liability	12,372,042	-	12,372,042
Changes of assumptions	-	-	-
Differences between expected and actual experience	(284,762)	-	(284,762)
Benefit payments, including refunds of member contributions	(6,645,332)	(6,645,332)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	5,237,955	(5,237,955)
Contributions - employee	-	2,398,196	(2,398,196)
Net investment income	-	31,172,082	(31,172,082)
Administrative expense	-	(136,995)	136,995
Net Changes	10,112,208	32,025,906	(21,913,698)
Balance at June 30, 2022	<u>\$ 184,420,051</u>	<u>\$ 169,165,966</u>	<u>\$ 15,254,085</u>

At June 30, 2021 (measurement date 2020), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2020	\$ 163,523,016	\$ 129,893,392	\$ 33,629,624
Changes in the year:			
Service cost	4,479,774	-	4,479,774
Interest on the total pension liability	11,672,869	-	11,672,869
Changes of assumptions	-	-	-
Differences between expected and actual experience	355,799	-	355,799
Benefit payments, including refunds of member contributions	(5,723,615)	(5,723,615)	-
Net Plan to Plan resource movement	-	-	-
Contributions - employer	-	4,532,160	(4,532,160)
Contributions - employee	-	2,108,348	(2,108,348)
Net investment income	-	6,512,893	(6,512,893)
Administrative expense	-	(183,118)	183,118
Net Changes	10,784,827	7,246,668	3,538,159
Balance at June 30, 2021	<u>\$ 174,307,843</u>	<u>\$ 137,140,060</u>	<u>\$ 37,167,783</u>

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Changes in the Net Pension Liability (Continued)

2. PARS Plan

At June 30, 2022 (measurement date 2021), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2021	\$ 9,082,342	\$ 7,612,681	\$ 1,469,661
Changes in the year:			
Service cost	201,071	-	201,071
Interest on the total pension liability	590,139	-	590,139
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Benefit payments, including refunds of member contributions	(415,242)	(415,242)	-
Contributions - employer	-	358,879	(358,879)
Contributions - employee	-	-	-
Net investment income	-	2,025,536	(2,025,536)
Administrative expense	-	(16,382)	16,382
Net Changes	375,968	1,952,791	(1,576,823)
Balance at June 30, 2022	\$ 9,458,310	\$ 9,565,472	\$ (107,162)

At June 30, 2021 (measurement date 2020), the change in the Net Pension Liability for the Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2020	\$ 9,094,282	\$ 7,377,645	\$ 1,716,637
Changes in the year:			
Service cost	195,690	-	195,690
Interest on the total pension liability	591,918	-	591,918
Changes of assumptions	(164,168)	-	(164,168)
Differences between expected and actual experience	(262,427)	-	(262,427)
Benefit payments, including refunds of member contributions	(372,953)	(372,953)	-
Contributions - employer	-	436,518	(436,518)
Contributions - employee	-	-	-
Net investment income	-	186,614	(186,614)
Administrative expense	-	(15,143)	15,143
Net Changes	(11,940)	235,036	(246,976)
Balance at June 30, 2021	\$ 9,082,342	\$ 7,612,681	\$ 1,469,661

Pension Plan Fiduciary Net Position – Detailed information about the PARS Plan’s fiduciary net position is available in the separately issued financial reports.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2022 and 2021, SDTI recognized pension expense of \$1,434,877 and \$7,480,792, respectively. At June 30, 2022 and 2021, SDTI reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CalPERS Plans			
	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 5,769,619	\$ -	\$ 5,237,955	\$ -
Differences between expected and actual experience	1,269,483	(317,006)	1,886,001	(700,204)
Changes in assumptions	-	(195,434)	1,578,401	(412,584)
Net differences between projected and actual earnings on pension plan investments	-	(15,437,677)	1,237,074	-
Total	<u>\$ 7,039,102</u>	<u>\$ (15,950,117)</u>	<u>\$ 9,939,431</u>	<u>\$ (1,112,788)</u>

	PARS Plan			
	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after measurement date	\$ 348,656	\$ -	\$ 358,878	\$ -
Differences between expected and actual experience	-	(43,737)	-	(153,082)
Changes in assumptions	-	(27,362)	-	(95,765)
Net differences between projected and actual earnings on pension plan investments	-	(1,038,809)	198,181	-
Total	<u>\$ 348,656</u>	<u>\$ (1,109,908)</u>	<u>\$ 557,059</u>	<u>\$ (248,847)</u>

The combined \$6,118,275 reported as deferred outflows of resources related to contributions subsequent to the measurement date for the two plans will be recognized as a reduction of the net pension liability in the year ended June 30, 2023 compared to \$5,596,833 for the previous year.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

C. SDTI (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of the measurement date, June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	SDTI CalPERS Plan	SDTI PARS Plan
2023	\$ (3,620,133)	\$ (315,114)
2024	(3,035,499)	(240,477)
2025	(3,707,327)	(247,710)
2026	(4,317,675)	(306,607)
2027	-	-
Total	<u>\$ (14,680,634)</u>	<u>\$ (1,109,908)</u>

In the previous year, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	SDTI CalPERS Plan	SDTI PARS Plan
2022	\$ 963,027	\$ (167,189)
2023	709,407	(8,506)
2024	1,294,041	66,131
2025	622,213	58,898
2026	-	-
Total	<u>\$ 3,588,688</u>	<u>\$ (50,666)</u>

Payable to the Pension Plan

At June 30, 2022, SDTI reported a payable of \$279,650 to CalPERS and \$4,626 to PARS for the outstanding amount of contributions to the pension plans required for the fiscal year compared to \$57,297 payable to CalPERS and \$3,891 payable to PARS for the year ended June 30, 2021.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC

General Information about the Pension Plans

Plan Description – The San Diego Transit Corporation (SDTC) Employee Retirement Plan (Plan), a single-employer defined benefit plan, is currently open to all full-time non-contract employees and certain part-time noncontract employees who have completed one year of service in which they have worked at least 1,000 hours. For contract employees to be eligible for participation in the defined benefit plan, the employee must have been hired before November 25, 2012 if they are an Amalgamated Transit Union (ATU) Local 1309 member, or before April 28, 2011 if they are an International Brotherhood of Electrical Workers (IBEW) Local 465 member.

Beginning in FY 2011, SDTC negotiated changes to retirement benefits for ATU Local 1309 members and IBEW Local 465 members. ATU Local 1309 represented employees hired after November 25, 2012 and IBEW local 465 represented employees hired after April 28, 2011 will receive their retirement benefits from a defined contribution 401(a) plan. Based on the applicable Collective Bargaining Agreement, SDTC contributes a fixed percentage of each employee’s gross wages to a 401(a) account and matches voluntary employee contributions up to a maximum of 2% of the employees’ gross wages.

The SDTC Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

Benefits Provided – The SDTC Plan provides retirement, termination, and disability benefits, annual cost-of-living adjustments, and death benefits to eligible Plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment and can only be amended by the MTS Board of Directors.

The Plan’s provisions and benefits as of June 30, 2022 are as follows:

	San Diego Transit Pension Plan – Non-Contract Employees	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	12 months	36 months
Retirement age	53–63	52–67
Monthly benefits, as a % of eligible compensation	1.742%–2.418%	1.0%–2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	65.99%	67.74%
Pre-Retirement Death Benefit		50% Joint & Survivor
Post-Retirement Death Benefit		Based on benefit election
	1.5% times average monthly final earnings	times credited
Non-Industrial Standard Disability COLA		years of service Lesser of CPI or 2.0%

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

General Information about the Pension Plans (Continued)

	SDTC Contract Employees	
	ATU – Closed Plan	IBEW – Closed Plan
Hire date	Prior to November 25, 2012	Prior to January 1, 2013
Benefit formula	2% @ 55	2% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Average Compensation Period	36 months	36 months
Retirement age	53–63	55–65
Monthly benefits, as a % of eligible compensation	1.742%–2.418%	2.0%–2.418%
Required employee contribution rates	8.00%	8.00%
Required employer contribution rates	65.99%	65.99%
Pre-Retirement Death Benefit	50% Joint & Survivor	
Post-Retirement Death Benefit	Based on benefit election	
Disability	1.5% times average monthly final earnings times credited years of service	

Employees Covered – At June 30, 2022 and 2021 (measurement date 2021 and 2020), the following employees were covered by the benefit terms for the Plan:

	2022	2021
Inactive employees or beneficiaries currently receiving benefits	1,048	1,028
Inactive employees entitled to but not yet receiving benefits	192	217
Active employees	355	389

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the period ended June 30, 2021 (measurement date), the active employee contribution rate is 6.25– 8.00% of annual pay, and the average employer’s contribution rate is 66.43% of annual payroll compared to 6.25–8.00% and 60.88% for the previous year.

For the year ended June 30, 2022 and 2021 (measurement date 2021 and 2020), the contributions recognized as part of pension expense for the Plan were as follows:

	2022	2021
Contributions - employer	\$ 23,718,402	\$ 14,709,813
Contributions - employees	1,950,898	2,017,164

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Net Pension Liability

SDTC’s net pension liability 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 July 1, 2021, using an annual actuarial valuation as of July 1, 2021.

Actuarial Assumptions – The total pension liabilities in the July 1, 2021 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	July 1, 2021
Measurement Date	July 1, 2021
Actuarial Cost Method	Individual entry age to final decrement
Actuarial Assumptions:	
Discount Rate	6.00%
Inflation	2.50%
Projected Salary Increase	2.75% plus merit component based on employee classification and years of service
Investment Rate of Return (1)	6.00%
Mortality	RP-2000 Tables using male rates for both male and female members with generational improvements using Scale MP-2015
COLA Increase - Non-Contract Members	2.50%

(1) Net of pension plan investment expenses.

Changes in Assumptions – In the current year, the discount rate decreased from 6.75% to 6.00%. In the current year, the inflation rate decreased from 2.75% to 2.50%. In the current year, the expected rate of return on assets decreased from 6.75% to 6.00%. In the current year, the COLA increase changed from 2.00% to 2.50%. In the prior year, the actuarial report did not have any changes in assumptions.

Discount Rate – The discount rate used to measure the Total Pension Liability was 6.00%.

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employer will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, and an amount necessary to amortize the remaining Unfunded Actuarial Liability as of June 30, 2012, over a closed 25–year period (16 years remaining as of the July 1, 2021 actuarial valuation). Actuarial gains and losses in plan years after June 30, 2012 are amortized over closed 15–year periods as a level dollar amount.

A formal cash flow projection was not performed as described under Paragraph 27 of GASB Statement 68. However, Paragraph 29 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period. 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.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

According to Paragraph 30 of GASB Statement 68, the long-term expected rate of return should be determined net of pension plan investment expenses but without reduction for pension plan administrative expenses. The 6.00% investment return assumption used in the Total Pension Liability is net of investment expenses only.

The table below reflects long-term expected real rate of return by asset class. The critical inputs of the asset allocation model are the expected risk, return and correlations of different asset classes.

Asset Class	Strategic Allocation	Real Return Years 1-10	Real Return Years 11+
United States Equity	25.00%	3.30%	3.30%
International Equity	20.00%	5.85%	5.85%
Fixed Income	35.00%	0.00%	0.00%
Alternatives (Multi-Asset)	20.00%	2.50%	2.50%

(a) an expected inflation of 2.5% is used.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability for the SDTC Plan as of June 30, 2022 and 2021, calculated using the discount rate, as well as what SDTC’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	2022	2021
1% Decrease	5.00%	5.75%
Net Pension Liability	\$ 162,106,744	\$ 182,328,644
Current Discount Rate	6.00%	6.75%
Net Pension Liability	\$ 126,795,212	\$ 149,245,705
1% Increase	7.00%	7.75%
Net Pension Liability	\$ 96,791,474	\$ 121,156,977

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Changes in Net Pension Liability

At June 30, 2022 (measurement date 2021), the change in the Net Pension Liability for the SDTC Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2021	\$ 315,167,505	\$ 165,921,800	\$ 149,245,705
Changes in the year:			
Service cost	3,087,757	-	3,087,757
Interest on the total pension liability	20,767,402	-	20,767,402
Changes of assumptions	10,215,184	-	10,215,184
Differences between expected and actual experience	3,560,873	-	3,560,873
Benefit payments, including refunds of member contributions	(21,531,678)	(21,531,678)	-
Contributions - employer	-	23,718,402	(23,718,402)
Contributions - employee	-	1,950,898	(1,950,898)
Net investment income	-	34,664,950	(34,664,950)
Administrative expense	-	(252,541)	252,541
Net Changes	<u>16,099,538</u>	<u>38,550,031</u>	<u>(22,450,493)</u>
Balance at June 30, 2022	<u>\$ 331,267,043</u>	<u>\$ 204,471,831</u>	<u>\$ 126,795,212</u>

At June 30, 2021 (measurement date 2020), the change in the Net Pension Liability for the SDTC Plan is as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at July 1, 2020	\$ 314,919,978	\$ 170,139,617	\$ 144,780,361
Changes in the year:			
Service cost	3,326,248	-	3,326,248
Interest on the total pension liability	20,793,979	-	20,793,979
Changes of assumptions	-	-	-
Differences between expected and actual experience	(3,159,945)	-	(3,159,945)
Benefit payments, including refunds of member contributions	(20,712,755)	(20,712,755)	-
Contributions - employer	-	14,709,528	(14,709,528)
Contributions - employee	-	2,017,164	(2,017,164)
Net investment income	-	24,666	(24,666)
Administrative expense	-	(256,420)	256,420
Net Changes	<u>247,527</u>	<u>(4,217,817)</u>	<u>4,465,344</u>
Balance at June 30, 2021	<u>\$ 315,167,505</u>	<u>\$ 165,921,800</u>	<u>\$ 149,245,705</u>

Pension Plan Fiduciary Net Position – Detailed information about the SDTC Plan’s fiduciary net position is available in the separately issued financial reports. The financial report may be obtained by writing to San Diego Transit Corporation, 1255 Imperial Avenue, Suite 1000, San Diego, CA 92101.

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the years ended June 30, 2022 and 2021, SDTC recognized pension expense of \$14,494,898 and \$20,248,875, respectively. At June 30, 2022 and 2021, SDTC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$ 15,838,082	\$ -	\$ 23,718,402	\$ -
Changes in assumptions	5,107,592	-	-	-
Differences between expected and actual experience	1,780,436	-	-	(1,579,972)
Differences between projected and actual earnings on pension plan investments	-	(10,175,811)	11,519,178	-
Total	<u>\$ 22,726,110</u>	<u>\$ (10,175,811)</u>	<u>\$ 35,237,580</u>	<u>\$ (1,579,972)</u>

The \$15,838,082 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, 2023 compared to \$23,718,402 for the previous year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Amounts
2023	\$ 5,573,283
2024	(1,790,352)
2025	(2,403,466)
2026	(4,667,248)
2027	-
Total	<u>\$ (3,287,783)</u>

In the previous year, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions were:

Year Ended June 30	Amounts
2022	\$ 1,446,019
2023	3,352,505
2024	2,876,898
2025	2,263,784
2026	-
Total	<u>\$ 9,939,206</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 12 – Employee Retirement Systems (Continued)

D. SDTC (Continued)

Payable to the Pension Plan

At June 30, 2022, SDTC reported a payable of \$1,333,025 for the outstanding amount of contributions to the pension plan required for the fiscal year compared to \$1,317,866 for the year ended June 30, 2021.

Note 13 – Other Required Individual Disclosures

A. Deficit Net Position

In the Statements of Net Position, MTS had a deficit unrestricted net position at June 30, 2022 and 2021 of \$0 and \$(45,430,235), respectively. The deficit was mainly due to the reporting of the aggregate net pension liabilities and the aggregate total OPEB liabilities as well as timing differences between recognition of expenses on the accrual basis and when those expenses are funded by subsidy revenues.

Contracted Services, SDTC and SDTI had unrestricted net position (deficits) of \$(10,417,378) \$(148,557,425) and \$(10,940,649) as of June 30, 2022 compared to \$(10,088,730), \$(146,835,488) and \$(14,484,247) for the year ended June 30, 2021. These deficits are primarily a result of the implementation of GASB 68 (pension), GASB 75 (OPEB), and GASB 87 (leases) as well as timing differences between recognition of expenses on an accrual basis and when those expenses are funded by subsidy transfers for Contracted Services, SDTC and SDTI.

Note 14 – Net Investment in Capital Assets and Lease Assets

For the years ended June 30, 2022 and 2021, the net investment in capital assets and lease assets consisted of the following:

	<u>2022</u>	<u>2021</u>
Capital assets and lease assets, net	\$ 3,495,960,410	\$ 1,977,091,049
Less: retentions payable	(9,043)	(1,315,730)
Less: lease liabilities	(11,155,700)	(11,416,609)
Net investment in capital assets and lease assets	<u>\$ 3,484,795,667</u>	<u>\$ 1,964,358,710</u>

San Diego Metropolitan Transit System
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2022 and 2021

Note 15 – Restatement of Net Position

As a result of implementation of GASB Statement No. 87, *Leases*, net position as of July 1, 2021 was restated as follows:

	Originally Reported	Adjustments	As Restated
Leases receivable, current	\$ -	\$ 1,512,606	\$ 1,512,606
Leases receivable, noncurrent	-	45,446,703	45,446,703
Prepaid items and other current assets	3,803,597	(171,500)	3,632,097
Leased assets, net of accumulated amortization	-	11,428,116	11,428,116
Accounts payable	(29,348,867)	5,686	(29,343,181)
Unearned revenue	(20,640,215)	1,240,008	(19,400,207)
Lease liability, current	-	(260,909)	(260,909)
Lease liability, noncurrent	-	(11,155,700)	(11,155,700)
Lease-related deferred inflows of resources	-	(48,102,361)	(48,102,361)
Total adjustments		(57,351)	
Net position	<u>\$ 1,918,985,826</u>	<u>\$ (57,351)</u>	<u>\$ 1,918,928,475</u>

	Originally Reported	Adjustments	As Restated
Miscellaneous operating revenues	\$ 17,933,426	\$ (521,977)	\$ 17,411,449
Miscellaneous operating expenses	5,305,897	(555,703)	4,750,194
Amortization of leased assets	-	393,589	393,589
Investment earnings	564,057	521,977	1,086,034
Interest expense	466,053	219,465	685,518
Total adjustments		57,351	
Net position	<u>\$ 1,918,985,826</u>	<u>\$ 57,351</u>	<u>\$ 1,918,928,475</u>

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2021	2020	2019	2018	2017
Proportion of the net pension liability	0.15122%	0.13947%	0.13726%	0.13473%	0.13531%
Proportionate share of the net pension liability	\$ 8,178,565	\$ 15,174,709	\$ 14,064,659	\$ 12,982,663	\$ 13,418,753
Covered payroll	\$ 14,166,669	\$ 13,715,993	\$ 12,892,323	\$ 12,873,186	\$ 11,809,510
Proportionate share of the net pension liability as percentage of covered payroll	57.73%	110.64%	109.09%	100.85%	113.63%
Plan's fiduciary net position as percentage of the total pension liability	85.57%	74.92%	75.16%	75.65%	72.65%
Proportionate share of aggregate employer contributions	\$ 2,265,608	\$ 2,024,949	\$ 1,763,681	\$ 1,536,182	\$ 1,348,728

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
MTS
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2016	2015	2014
Proportion of the net pension liability	0.13477%	0.14142%	0.13277%
Proportionate share of the net pension liability	\$ 11,661,984	\$ 9,707,169	\$ 8,261,550
Covered payroll	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Proportionate share of the net pension liability as percentage of covered payroll	105.27%	97.51%	89.05%
Plan's fiduciary net position as percentage of the total pension liability	72.53%	75.07%	77.50%
Proportionate share of aggregate employer contributions	\$ 1,896,142	\$ 1,998,897	\$ 755,170

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTI CALPERS PLANS
(LAST TEN YEARS*)

June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 4,670,260	\$ 4,479,774	\$ 4,304,517	\$ 4,029,579	\$ 3,882,206	\$ 3,580,302	\$ 3,615,793	\$ 3,721,950
Interest on total pension liability	12,372,042	11,672,869	10,947,906	10,112,324	9,611,237	9,201,415	8,554,525	7,982,614
Differences between expected and actual experience	(284,762)	355,799	2,647,270	(498,533)	(2,759,754)	375,697	(510,309)	-
Changes in assumptions	-	-	-	(1,064,034)	8,593,509	-	(2,274,755)	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(6,645,332)	(5,723,615)	(5,389,412)	(5,090,945)	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net change in total pension liability	10,112,208	10,784,827	12,510,281	7,488,391	14,425,433	8,812,243	5,586,014	8,548,968
Total pension liability - beginning	174,307,843	163,523,016	151,012,735	143,524,344	129,098,911	120,286,668	114,700,654	106,151,686
Total pension liability - ending (a)	\$ 184,420,051	\$ 174,307,843	\$ 163,523,016	\$ 151,012,735	\$ 143,524,344	\$ 129,098,911	\$ 120,286,668	\$ 114,700,654
Plan fiduciary net position								
Contributions - employer	\$ 5,237,955	\$ 4,532,160	\$ 3,824,864	\$ 3,342,623	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions - employee	2,398,196	2,108,348	2,075,270	2,034,672	1,806,506	1,778,990	1,839,206	2,179,194
Net investment income	31,172,082	6,512,893	8,009,279	9,482,977	11,214,548	628,353	2,204,904	14,416,106
Benefit payments, including refunds of employee contributions	(6,645,332)	(5,723,615)	(5,389,412)	(5,090,945)	(4,901,765)	(4,345,171)	(3,799,240)	(3,155,596)
Net plan to plan resource movement	-	-	(86,676)	(281)	-	-	-	-
Administrative expense	(136,995)	(183,118)	281	(506,849)	(149,699)	(61,391)	(113,387)	-
Net change in plan fiduciary net position	32,025,906	7,246,668	8,433,606	9,262,197	10,805,270	660,692	2,685,383	15,938,049
Plan fiduciary net position - beginning	137,140,060	129,893,392	121,459,786	112,197,589	101,392,319	100,731,627	98,046,244	82,108,195
Plan fiduciary net position - ending (b)	\$ 169,165,966	\$ 137,140,060	\$ 129,893,392	\$ 121,459,786	\$ 112,197,589	\$ 101,392,319	\$ 100,731,627	\$ 98,046,244
Net pension liability - ending (a) - (b)	\$ 15,254,085	\$ 37,167,783	\$ 33,629,624	\$ 29,552,949	\$ 31,326,755	\$ 27,706,592	\$ 19,555,041	\$ 16,654,410
Plan fiduciary net position as a percentage of the total pension liability	91.73%	78.68%	79.43%	80.43%	78.17%	78.54%	83.74%	85.48%
Covered payroll	\$ 33,604,962	\$ 31,913,060	\$ 29,886,251	\$ 27,790,199	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Plan net pension liability as a percentage of covered payroll	45.39%	116.47%	112.53%	106.34%	117.58%	101.69%	72.52%	63.40%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2020 valuation date.

Changes of assumptions:

*2018 - Demographic assumptions and inflation rate were changed in accordance to CalPERS Experience Study and Review December 2017

*2017 - Discount rate decreased to 7.15 percent from 7.65 percent

*2015 - Discount rate increased to 7.65 percent from 7.50 percent

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTI PARS PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ 201,071	\$ 195,690	\$ 226,689	\$ 198,627	\$ 230,296	\$ 223,588	\$ 267,889
Interest on total pension liability	590,139	591,918	565,523	587,363	556,089	523,457	480,808
Differences between expected and actual experience	-	(262,427)	-	(652,788)	-	(166,133)	-
Changes in assumptions	-	(164,168)	-	473,927	-	321,921	-
Changes in benefit terms	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(415,242)	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Net change in total pension liability	375,968	(11,940)	454,337	293,516	483,925	629,632	519,333
Total pension liability - beginning	9,082,342	9,094,282	8,639,945	8,346,429	7,862,504	7,232,872	6,713,539
Total pension liability - ending (a)	\$ 9,458,310	\$ 9,082,342	\$ 9,094,282	\$ 8,639,945	\$ 8,346,429	\$ 7,862,504	\$ 7,232,872
Plan fiduciary net position							
Contributions - employer	\$ 358,879	\$ 436,518	\$ 443,125	\$ 549,296	\$ 605,864	\$ 547,473	\$ 590,203
Contributions - employee	-	-	-	-	-	-	-
Net investment income	2,025,536	186,614	413,503	458,921	638,858	(59,981)	127,592
Benefit payments, including refunds of employee contributions	(415,242)	(372,953)	(337,875)	(313,613)	(302,460)	(273,201)	(229,364)
Administrative expense	(16,382)	(15,143)	(14,630)	(17,012)	(13,417)	(14,665)	(12,186)
Net change in plan fiduciary net position	1,952,791	235,036	504,123	677,592	928,845	199,626	476,245
Plan fiduciary net position - beginning	7,612,681	7,377,645	6,873,522	6,195,930	5,267,085	5,067,459	4,591,214
Plan fiduciary net position - ending (b)	\$ 9,565,472	\$ 7,612,681	\$ 7,377,645	\$ 6,873,522	\$ 6,195,930	\$ 5,267,085	\$ 5,067,459
Net pension liability (asset) - ending (a) - (b)	\$ (107,162)	\$ 1,469,661	\$ 1,716,637	\$ 1,766,423	\$ 2,150,499	\$ 2,595,419	\$ 2,165,413
Plan fiduciary net position as a percentage of the total pension liability	101.13%	83.82%	81.12%	79.56%	74.23%	66.99%	70.06%
Covered payroll	\$ 4,471,089	\$ 4,351,424	\$ 4,909,640	\$ 4,766,641	\$ 5,170,611	\$ 5,020,011	\$ 4,943,557
Plan net pension liability as a percentage of covered payroll	-2.40%	33.77%	34.96%	37.06%	41.59%	51.70%	43.80%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date.

Changes in Assumption:

- *2020 - Inflation rate decreased from 2.75 to 2.50 percent
- *2020 - Payroll growth rate decreased from 3.00 to 2.75 percent
- *2018 - Investment rate of return decreased from 7.0 to 6.5 percent
- *2016 - Inflation rate decreased from 3.0 to 2.75 percent
- *2016 - Salary scale, retirement and pre-retirement mortality assumptions were updated.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SDTC PLAN
(LAST TEN YEARS*)

Measurement Period, Year Ended June 30:	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 3,087,757	\$ 3,326,248	\$ 3,345,262	\$ 3,559,738	\$ 3,660,961	\$ 3,469,595	\$ 3,590,766	\$ 3,908,376
Interest on total pension liability	20,767,402	20,793,979	20,568,075	20,325,978	19,885,608	18,865,499	18,434,275	17,812,979
Differences between expected and actual experience	3,560,873	(3,159,945)	3,139,304	(240,474)	1,185,687	(2,174,475)	812,878	2,905,692
Changes in assumptions	10,215,184	-	7,536,766	(640,322)	-	29,699,872	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(21,531,678)	(20,712,755)	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Net change in total pension liability	16,099,538	247,527	14,619,545	4,289,721	6,754,910	32,510,333	6,253,876	9,160,123
Total pension liability - beginning	315,167,505	314,919,978	300,300,433	296,010,712	289,255,802	256,745,469	250,491,593	241,331,470
Total pension liability - ending (a)	<u>\$ 331,267,043</u>	<u>\$ 315,167,505</u>	<u>\$ 314,919,978</u>	<u>\$ 300,300,433</u>	<u>\$ 296,010,712</u>	<u>\$ 289,255,802</u>	<u>\$ 256,745,469</u>	<u>\$ 250,491,593</u>
Plan fiduciary net position								
Contributions - employer	\$ 23,718,402	\$ 14,709,528	\$ 13,633,181	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions - employee	1,950,898	2,017,164	2,074,025	1,751,616	2,047,593	1,754,869	1,363,092	899,791
Net investment income	34,664,950	24,666	8,415,801	8,792,300	12,216,936	(540,093)	(2,018,866)	18,417,439
Benefit payments, including refunds of employee contributions	(21,531,678)	(20,712,755)	(19,969,862)	(18,715,199)	(17,977,346)	(17,350,158)	(16,584,043)	(15,466,924)
Administrative expense	(252,541)	(256,420)	(252,585)	(244,890)	(234,128)	(290,381)	(262,808)	(258,142)
Net change in plan fiduciary net position	38,550,031	(4,217,817)	3,900,560	4,604,050	8,702,156	(5,714,481)	(6,149,997)	16,220,354
Plan fiduciary net position - beginning	165,921,800	170,139,617	166,239,057	161,635,007	152,932,851	158,647,332	164,797,329	148,576,975
Plan fiduciary net position - ending (b)	<u>\$ 204,471,831</u>	<u>\$ 165,921,800</u>	<u>\$ 170,139,617</u>	<u>\$ 166,239,057</u>	<u>\$ 161,635,007</u>	<u>\$ 152,932,851</u>	<u>\$ 158,647,332</u>	<u>\$ 164,797,329</u>
Net pension liability - ending (a) - (b)	\$ 126,795,212	\$ 149,245,705	\$ 144,780,361	\$ 134,061,376	\$ 134,375,705	\$ 136,322,951	\$ 98,098,137	\$ 85,694,264
Plan fiduciary net position as a percentage of the total pension liability	61.72%	52.65%	54.03%	55.36%	54.60%	52.87%	61.79%	65.79%
Covered payroll	\$ 24,891,340	\$ 25,826,289	\$ 27,121,687	\$ 29,672,305	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Plan net pension liability as a percentage of covered payroll	509.39%	577.88%	533.82%	451.81%	424.43%	439.06%	300.37%	265.20%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 valuation date.

Changes of assumptions:

*2021 - Expected rate of return on assets decreased from 6.75 to 6.0 percent

*2019 - Investment rate of return decreased from 7.0 to 6.75 percent

*2018 - Valuation salary changed from using the most recent pensionable pay preceding the valuation date to a two-year average of pay from the two years preceding the valuation date

*2016 - Investment rate of return decreased from 7.5 to 7.0 percent

*2016 - Inflation decreased from 3.0 to 2.75 percent

*2016 - Revisions were made to merit pay increases, mortality, disability, service retirements and terminations

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CONTRIBUTIONS
SDTI CALPERS PLAN
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,769,619	\$ 5,237,955	\$ 4,532,160	\$ 3,824,864	\$ 3,266,081	\$ 2,835,680	\$ 2,659,911	\$ 2,553,900	\$ 2,498,345
Contributions in relation to the actuarially determined contribution	(5,769,619)	(5,237,955)	(4,532,160)	(3,824,864)	(3,266,081)	(2,835,680)	(2,659,911)	(2,553,900)	(2,498,345)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 35,512,059	\$ 33,604,962	\$ 31,913,060	\$ 29,886,251	\$ 27,790,199	\$ 26,643,371	\$ 27,247,357	\$ 26,965,416	\$ 26,268,261
Contributions as a percentage of covered payroll	16.25%	15.59%	14.20%	12.80%	11.75%	10.64%	9.76%	9.47%	9.51%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were derived from the June 30, 2018 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization	For details, see June 30, 2018 Funding Valuation Report
Asset valuation method	Fair value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.0% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015.
Mortality	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 Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

**San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

**SCHEDULE OF CONTRIBUTIONS
MTS
(LAST TEN YEARS*)**

Fiscal Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,772,487	\$ 2,580,445	\$ 2,320,104	\$ 2,041,117	\$ 1,896,639	\$ 1,731,711	\$ 1,582,497	\$ 1,559,846	\$ 1,537,079
Contributions in relation to the actuarially determined contribution	<u>(2,772,487)</u>	<u>(2,580,445)</u>	<u>(2,320,104)</u>	<u>(2,041,117)</u>	<u>(1,896,639)</u>	<u>(1,731,711)</u>	<u>(1,582,497)</u>	<u>(1,559,846)</u>	<u>(1,537,079)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,346,741	\$ 14,166,669	\$ 13,715,993	\$ 12,892,323	\$ 12,873,186	\$ 11,809,510	\$ 11,078,469	\$ 9,954,718	\$ 9,277,782
Contributions as a percentage of covered payroll	19.32%	18.21%	16.92%	15.83%	14.73%	14.66%	14.28%	15.67%	16.57%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumption used to set the actuarially determined contributions for Fiscal Year 2022 were derived from the June 30, 2020 funding valuation report.

Actuarial cost method	Entry Age Normal
Amortization	For details, see June 30, 2020 Funding Valuation Report
Asset valuation method	Market value of assets
Inflation	2.500%
Salary increases	Varies based on entry age and service
Payroll growth	2.750%
Investment rate of return	7.15% net of pension plan investment and administrative expenses
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 and 2015.
Mortality	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 Society of American Actuaries Scales 90% of scale MP 2016.

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CONTRIBUTIONS
SDTI PARS PLAN
(LAST TEN YEARS*)

Fiscal Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 334,820	\$ 381,185	\$ 408,250	\$ 459,504	\$ 460,930	\$ 499,993	\$ 445,465	\$ 546,873	\$ 463,079
Contributions in relation to the actuarially determined contribution	(348,656)	(358,878)	(418,735)	(435,748)	(549,296)	(605,864)	(547,473)	(590,203)	(453,934)
Contribution deficiency (excess)	<u>\$ (13,836)</u>	<u>\$ 22,307</u>	<u>\$ (10,485)</u>	<u>\$ 23,756</u>	<u>\$ (88,366)</u>	<u>\$ (105,871)</u>	<u>\$ (102,008)</u>	<u>\$ (43,330)</u>	<u>\$ 9,145</u>
Covered payroll	\$ 3,927,255	\$ 4,471,089	\$ 4,351,424	\$ 4,909,640	\$ 4,766,641	\$ 5,170,611	\$ 5,020,011	\$ 4,943,557	\$ 5,984,089
Contributions as a percentage of covered payroll	8.88%	8.03%	9.62%	8.88%	11.52%	11.72%	10.91%	11.94%	7.59%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were derived from the June 30, 2019 funding valuation report.

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Amortization period	14 years as of valuation date
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies based on entry age and service
Payroll growth	2.75%
Investment rate of return	6.50%

*Ten year historical information is not yet available

**San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021**

**SCHEDULE OF CONTRIBUTIONS
SDTC PLAN
(LAST TEN YEARS*)**

Fiscal Year Ended June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 15,838,082	\$ 17,585,592	\$ 14,709,813	\$ 13,633,181	\$ 13,020,223	\$ 12,649,101	\$ 10,711,282	\$ 11,352,628	\$ 12,628,190
Contributions in relation to the actuarially determined contribution	<u>(15,838,082)</u>	<u>(23,718,402)</u>	<u>(14,709,813)</u>	<u>(13,633,181)</u>	<u>(13,020,223)</u>	<u>(12,649,101)</u>	<u>(10,711,282)</u>	<u>(11,352,628)</u>	<u>(12,628,190)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (6,132,810)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,059,762	\$ 24,891,340	\$ 25,826,289	\$ 27,121,687	\$ 29,672,305	\$ 31,660,643	\$ 31,048,663	\$ 32,658,827	\$ 32,313,553
Contributions as a percentage of covered payroll	63.20%	95.29%	56.96%	50.27%	43.88%	39.95%	34.50%	34.76%	39.08%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022 were derived from the July 1, 2019 funding valuation report.

Valuation date	July 1, 2019
Actuarial cost method	Entry Age
Amortization method/period	Level percent of payroll, closed 25-year period
Asset valuation method	5-year smoothed market
Salary increases	2.75% plus merit component based on employee classification and years of services
Investment rate of return	6.75% net of pension plan investment expenses
Mortality	Actives: RP-2000 tables using male rates for both male and female members with generational improvements using scale MP-2015

*Ten year historical information is not yet available

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

MTS
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 559,935	\$ 544,949	\$ 452,623	\$ 450,678	\$ 504,282
Interest	211,713	217,111	224,774	203,185	171,522
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(31,742)	(206,133)	(324,826)	-	-
Changes in assumptions	465,523	610,704	139,049	(104,394)	(566,410)
Benefit payments, including refunds of member contributions	(112,510)	(117,063)	(111,141)	(99,520)	(96,621)
Net change in total OPEB liability	1,092,919	1,049,568	380,479	449,949	12,773
Total OPEB liability - beginning	7,455,121	6,405,553	6,025,074	5,575,125	5,562,352
Total OPEB liability - ending (a)	\$ 8,548,040	\$ 7,455,121	\$ 6,405,553	\$ 6,025,074	\$ 5,575,125
OPEB fiduciary net position					
Contributions - employer	\$ 112,510	\$ 117,063	\$ 111,141	\$ 99,520	\$ 96,621
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(112,510)	(117,063)	(111,141)	(99,520)	(96,621)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -	\$ -
Plan net OPEB liability - ending (a) - (b)	\$ 8,548,040	\$ 7,455,121	\$ 6,405,553	\$ 6,025,074	\$ 5,575,125
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 14,147,812	\$ 12,699,847	\$ 13,522,496	\$ 12,763,760	\$ 12,392,000
Plan net OPEB liability as a percentage of covered payroll	60.42%	58.70%	47.37%	47.20%	44.99%

* Historical data provided for years where GASB 75 is applicable.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTI
(LAST TEN YEARS*)

Measurement period, year ended June 30:	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 577,191	\$ 561,743	\$ 442,873	\$ 440,969	\$ 493,375
Interest	386,140	412,287	415,912	389,043	336,668
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,764,102)	(351,313)	230,450	-	-
Changes in assumptions	832,716	997,581	238,432	(168,207)	(956,245)
Benefit payments, including refunds of member contributions	(181,540)	(233,181)	(251,166)	(194,710)	(189,039)
Net change in total OPEB liability	(149,595)	1,387,117	1,076,501	467,095	(315,241)
Total OPEB liability - beginning	14,029,534	12,642,417	11,565,916	11,098,821	11,414,062
Total OPEB liability - ending (a)	<u>\$ 13,879,939</u>	<u>\$ 14,029,534</u>	<u>\$ 12,642,417</u>	<u>\$ 11,565,916</u>	<u>\$ 11,098,821</u>
OPEB fiduciary net position					
Contributions - employer	\$ 181,540	\$ 233,181	\$ 251,166	\$ 194,710	\$ 189,039
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(181,540)	(233,181)	(251,166)	(194,710)	(189,039)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 13,879,939</u>	<u>\$ 14,029,534</u>	<u>\$ 12,642,417</u>	<u>\$ 11,565,916</u>	<u>\$ 11,098,821</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 33,827,843	\$ 32,204,645	\$ 34,000,928	\$ 31,280,070	\$ 30,369,000
Plan net OPEB liability as a percentage of covered payroll	41.03%	43.56%	37.18%	36.98%	36.55%

* Historical data provided for years where GASB 75 is applicable.

San Diego Metropolitan Transit System
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2022 and 2021

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

SDTC

(LAST TEN YEARS*)

Measurement period, year ended June 30:	2021	2020	2019	2018	2017
Total OPEB Liability					
Service Cost	\$ 1,354,186	\$ 1,317,943	\$ 1,180,991	\$ 1,176,005	\$ 1,317,293
Interest	879,890	947,591	1,056,425	1,000,292	875,283
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(1,192,985)	(424,383)	(2,478,929)	-	-
Changes in assumptions	(907,986)	2,156,592	1,027,981	(421,922)	(2,399,513)
Benefit payments, including refunds of member contributions	(1,052,058)	(1,022,172)	(1,035,246)	(957,045)	(929,170)
Net change in total OPEB liability	(918,953)	2,975,571	(248,778)	797,330	(1,136,107)
Total OPEB liability - beginning	32,247,006	29,271,435	29,520,213	28,722,883	29,858,990
Total OPEB liability - ending (a)	<u>\$ 31,328,053</u>	<u>\$ 32,247,006</u>	<u>\$ 29,271,435</u>	<u>\$ 29,520,213</u>	<u>\$ 28,722,883</u>
OPEB fiduciary net position					
Contributions - employer	\$ 1,052,058	\$ 1,022,172	\$ 1,035,246	\$ 957,045	\$ 929,170
Net investment income	-	-	-	-	-
Benefit payments, including refunds of member contributions	(1,052,058)	(1,022,172)	(1,035,246)	(957,045)	(929,170)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan net OPEB liability - ending (a) - (b)	<u>\$ 31,328,053</u>	<u>\$ 32,247,006</u>	<u>\$ 29,271,435</u>	<u>\$ 29,520,213</u>	<u>\$ 28,722,883</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 44,955,979	\$ 43,063,090	\$ 41,720,578	\$ 40,561,400	\$ 39,380,000
Plan net OPEB liability as a percentage of covered payroll	69.69%	74.88%	70.16%	72.78%	72.94%

* Historical data provided for years where GASB 75 is applicable.

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SUPPLEMENTARY INFORMATION

Combining Schedule of Net Position

Combining Schedule of Revenues, Expenses, and Changes in Net Position

Combining Schedule of Cash Flows

Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual:

 Combined Operations

 General Operations

 Operations

 For Hire Vehicle Administration

 San Diego and Arizona Eastern Railway

 MTS - Contracted Services

 San Diego Transit Corporation

 San Diego Trolley, Inc.

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San Diego Metropolitan Transit System
Combining Schedule of Net Position
June 30, 2022

	General Operations	Contracted Services	SDTC	SDTI	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 111,108,819	\$ 35,192	\$ (243,262)	\$ 31,997	\$ 110,932,746
Cash and cash equivalents restricted for capital	26,020,685	-	-	-	26,020,685
Accounts and other receivables	6,027,958	304,214	1,970,800	113,313	8,416,285
Due from other governments	142,117,362	-	27,731	1,443,558	143,588,651
Leases receivable	1,625,433	-	-	-	1,625,433
Internal balances	(33,317,627)	(1,094,768)	21,213,100	13,199,295	-
Inventory	-	-	4,198,174	27,508,031	31,706,205
Prepaid items and other current assets	2,133,756	72,825	1,039,910	939,117	4,185,608
Total current assets	255,716,386	(682,537)	28,206,453	43,235,311	326,475,613
Noncurrent assets:					
Lease receivable, due in more than one year	43,821,270	-	-	-	43,821,270
Capital assets and lease assets, net	170,030,884	302,340,202	259,493,780	2,764,095,544	3,495,960,410
Total noncurrent assets	213,852,154	302,340,202	259,493,780	2,764,095,544	3,539,781,680
Total assets	469,568,540	301,657,665	287,700,233	2,807,330,855	3,866,257,293
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related deferred outflows of resources	4,362,695	-	22,726,110	7,387,758	34,476,563
OPEB-related deferred outflows of resources	1,141,207	-	3,182,106	2,058,880	6,382,193
Total deferred outflows of resources	5,503,902	-	25,908,216	9,446,638	40,858,756
LIABILITIES					
Current liabilities:					
Accounts payable	7,118,832	8,097,405	3,093,928	3,636,510	21,946,675
Due to other governments	2,028,786	114,766	185,658	441,405	2,770,615
Unearned revenue	33,890,014	1,522,670	-	-	35,412,684
Accrued expenses	459,252	-	1,853,030	635,739	2,948,021
Retentions payable	-	5,227	-	3,816	9,043
Retentions payable from restricted assets	8,531,874	-	-	-	8,531,874
Due within one year:					
Lease liability	-	165,308	87,884	17,706	270,898
Compensated absences payable	903,011	-	3,411,677	2,862,235	7,176,923
Accrued damage, injury, and employee claims	380,580	-	4,046,243	2,119,101	6,545,924
Long-term debt	-	-	2,985,000	-	2,985,000
Total current liabilities	53,312,349	9,905,376	15,663,420	9,716,512	88,597,657
Noncurrent liabilities:					
Due in more than one year:					
Lease liability	-	9,030,480	479,415	1,374,907	10,884,802
Compensated absences payable	643,782	-	3,004,792	825,904	4,474,478
Accrued damage, injury, and employee claims	561,583	-	9,833,963	4,591,839	14,987,385
Long-term debt	-	-	1,845,000	-	1,845,000
Aggregate net pension liability	8,178,565	-	126,795,212	15,146,923	150,120,700
Aggregate total OPEB liability	8,548,040	-	31,328,053	13,879,939	53,756,032
Total noncurrent liabilities	17,931,970	9,030,480	173,286,435	35,819,512	236,068,397
Total liabilities	71,244,319	18,935,856	188,949,855	45,536,024	324,666,054
DEFERRED INFLOWS OF RESOURCES					
Pension-related deferred inflows of resources	7,139,455	-	10,175,811	17,060,025	34,375,291
OPEB-related deferred inflows of resources	780,034	-	4,113,727	2,422,978	7,316,739
Lease-related deferred inflows of resources	46,218,889	-	-	-	46,218,889
Total deferred inflows of resources	54,138,378	-	14,289,538	19,483,003	87,910,919
NET POSITION					
Net investment in capital assets and lease assets	170,030,884	293,139,187	258,926,481	2,762,699,115	3,484,795,667
Unrestricted (deficit)	179,658,861	(10,417,378)	(148,557,425)	(10,940,649)	9,743,409
Total net position	\$ 349,689,745	\$ 282,721,809	\$ 110,369,056	\$ 2,751,758,466	\$ 3,494,539,076

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

	General Operations	Contracted Services	SDTC
Operating revenues:			
Passenger revenue	\$ -	\$ 15,739,506	\$ 14,818,612
Advertising	1,945,816	-	-
Miscellaneous	18,507,888	-	-
Total operating revenues	20,453,704	15,739,506	14,818,612
Operating expenses:			
Personnel costs	24,612,645	933,825	76,461,510
Outside services	18,632,743	87,785,639	1,642,708
Transit operations funding	167,793,979	-	-
Materials and supplies	265,651	435,612	6,620,197
Energy costs	290,644	10,119,769	7,994,945
Risk management	507,260	10,252	5,460,651
Miscellaneous	(17,214,696)	2,438,979	3,968,030
Depreciation	4,963,065	25,894,939	27,339,470
Total operating expenses	199,851,291	127,619,015	129,487,511
Operating income (loss)	(179,397,587)	(111,879,509)	(114,668,899)
Public support and nonoperating revenues (expenses):			
Federal revenue	141,982,464	33,294,462	35,700,355
Transportation Development Act (TDA) funds	124,385,030	41,620,256	2,019,623
State Transit Assistance (STA) funds	34,878,787	700,000	9,800,000
State revenue - other	9,558,324	105,771	-
<i>TransNet</i> funds	67,151,134	8,948,430	29,989,447
Other local subsidies	13,814,150	1,658,175	8,107,853
Investment earnings	800,004	-	-
Interest expense	-	(180,389)	(330,750)
Gain (loss) on disposal of assets	144,257	-	22,687
Total public support and nonoperating revenues (expenses)	392,714,150	86,146,705	85,309,215
Income (loss) before transfers and contributed capital	213,316,563	(25,732,804)	(29,359,684)
Transfers	(88,366,794)	-	-
Contributed capital, net	(122,871,067)	25,933,205	10,784,756
Changes in net position	2,078,702	200,401	(18,574,928)
Net Position:			
Beginning of year	347,611,043	282,521,408	128,943,984
End of year	<u>\$ 349,689,745</u>	<u>\$ 282,721,809</u>	<u>\$ 110,369,056</u>

San Diego Metropolitan Transit System
Combining Schedule of Revenues, Expenses, and Changes in Net Position (Continued)
For the Year Ended June 30, 2022

	SDTI	Eliminations	Total
Operating revenues:			
Passenger revenue	\$ 25,518,764	\$ -	\$ 56,076,882
Advertising	-	-	1,945,816
Miscellaneous	904,091	-	19,411,979
Total operating revenues	26,422,855	-	77,434,677
Operating expenses:			
Personnel costs	41,941,629	-	143,949,609
Outside services	10,219,785	-	118,280,875
Transit operations funding	-	(167,177,583)	616,396
Materials and supplies	7,457,182	-	14,778,642
Energy costs	20,570,080	-	38,975,438
Risk management	5,560,726	-	11,538,889
Miscellaneous	17,141,615	-	6,333,928
Depreciation	113,625,456	-	171,822,930
Total operating expenses	216,516,473	(167,177,583)	506,296,707
Operating income (loss)	(190,093,618)	167,177,583	(428,862,030)
Public support and nonoperating revenues (expenses):			
Federal revenue	39,824,794	(108,819,611)	141,982,464
Transportation Development Act (TDA) funds	16,285,511	(59,925,390)	124,385,030
State Transit Assistance (STA) funds	800,000	(11,300,000)	34,878,787
State revenue - other	-	(105,771)	9,558,324
<i>TransNet</i> funds	21,189,700	(65,627,577)	61,651,134
Other local subsidies	-	(9,766,028)	13,814,150
Investment earnings	-	-	800,004
Interest expense	(27,183)	-	(538,322)
Gain (loss) on disposal of assets	(928,603)	-	(761,659)
Total public support and nonoperating revenues (expenses)	77,144,219	(255,544,377)	385,769,912
Income (loss) before transfers and contributed capital	(112,949,399)	(88,366,794)	(43,092,118)
Transfers	-	88,366,794	-
Contributed capital, net	1,704,855,825	-	1,618,702,719
Changes in net position	1,591,906,426	-	1,575,610,601
Net Position:			
Beginning of year	1,159,852,040	-	1,918,928,475
End of year	<u>\$ 2,751,758,466</u>	<u>\$ -</u>	<u>\$ 3,494,539,076</u>

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows
For the Year Ended June 30, 2022

	General Operations	Contracted Services	SDTC	SDTI	Total
Cash flows from operating activities:					
Receipts from customers and users	\$ 25,352,961	\$ 15,585,962	\$ 15,138,359	\$ 26,664,654	\$ 82,741,936
Payments to suppliers	(2,157,506)	(101,212,683)	(23,153,250)	(57,920,827)	(184,444,266)
Payments to employees	(23,529,977)	(933,825)	(74,134,156)	(46,318,768)	(144,916,726)
Payments for damage and injury	(178,779)	-	(3,228,559)	(977,473)	(4,384,811)
Net cash provided by (used in) operating activities	(513,301)	(86,560,546)	(85,377,606)	(78,552,414)	(251,003,867)
Cash flows from noncapital financing activities:					
Public support funds received	124,756,263	86,837,052	88,817,618	78,856,572	379,267,505
Net cash provided by noncapital financing activities	124,756,263	86,837,052	88,817,618	78,856,572	379,267,505
Cash flows from capital and related financing activities:					
Debt service costs	-	-	(3,145,003)	-	(3,145,003)
Property acquisition	(79,739,509)	(342,524)	(91,069)	(42,448)	(80,215,550)
Proceeds from disposal of assets	548,184	-	71,891	36,126	656,201
Net cash provided by (used in) capital and related financing activities	(79,191,325)	(342,524)	(3,164,181)	(6,322)	(82,704,352)
Cash flows from investing activities:					
Interest received on investments	224,439	-	-	-	224,439
Net cash provided by investing activities	224,439	-	-	-	224,439
Net increase in cash and cash equivalents	45,276,076	(66,018)	275,831	297,836	45,783,725
Cash and cash equivalents:					
Beginning of year	91,853,428	101,210	(519,093)	(265,839)	91,169,706
End of year	<u>\$ 137,129,504</u>	<u>\$ 35,192</u>	<u>\$ (243,262)</u>	<u>\$ 31,997</u>	<u>\$ 136,953,431</u>
Cash and cash equivalents:					
Cash and cash equivalents	\$ 111,108,819	\$ 35,192	\$ (243,262)	\$ 31,997	\$ 110,932,746
Cash restricted for capital support	26,020,685	-	-	-	26,020,685
Total cash and cash equivalents	\$ 137,129,504	\$ 35,192	\$ (243,262)	\$ 31,997	\$ 136,953,431

San Diego Metropolitan Transit System
Combining Schedule of Cash Flows (Continued)
For the Year Ended June 30, 2022

	General Operations	Contracted Services	SDTC	SDTI	Total
Reconciliation of Operating (Loss) to Net Cash (Used In) Operating Activities					
Operating (loss):	\$ (12,220,004)	\$ (111,879,509)	\$ (114,668,899)	\$ (190,093,618)	\$ (428,862,030)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities					
Depreciation	4,963,065	25,894,939	27,339,470	113,625,456	171,822,930
(Increase) decrease in:					
Accounts and other receivables	3,027,163	(260,824)	288,395	217,049	3,271,783
Due from other governments	(837,275)	-	37	-	(837,238)
Inventory	(1,124,853)	-	-	-	(1,124,853)
Prepaid expenses and other current assets	(27,009)	(34,745)	(230,464)	(261,293)	(553,511)
Increase (decrease) in:					
Accounts payable	938,860	(421,458)	(418,951)	433,061	531,512
Due to other governments	(3,860)	33,771	75,639	160,136	265,686
Accrued expenses	(356,733)	-	189,609	(1,007,684)	(1,174,808)
Unearned revenue	4,246,222	107,280	-	-	4,353,502
Aggregate net pension liability	198,247	-	(1,343,185)	(4,683,399)	(5,828,337)
Aggregate total OPEB liability	647,126	-	533,220	723,804	1,904,150
Compensated absences	(189,181)	-	(235,387)	188,037	(236,531)
Accrued damage, injury and employee claims	224,931	-	3,092,910	2,146,037	5,463,878
Total adjustments	<u>11,706,703</u>	<u>25,318,963</u>	<u>29,291,293</u>	<u>111,541,204</u>	<u>177,858,163</u>
Net cash (used in) operating activities	<u>\$ (513,301)</u>	<u>\$ (86,560,546)</u>	<u>\$ (85,377,606)</u>	<u>\$ (78,552,414)</u>	<u>\$ (251,003,867)</u>

Noncash investing, capital and financing activities:

During the year, SANDAG contributed \$1,619,421,359 in capital assets and inventory parts.

During the year, MTS contributed \$718,640 in capital assets to the City of La Mesa.

During the year, the fair value of investments decreased by \$398,264.

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
Combined Operations
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Passenger revenue	\$ 49,500,000	\$ 55,379,552	\$ 56,076,882	\$ -	\$ 56,076,882	\$ 697,330
Advertising	1,458,998	1,866,054	1,945,816	-	1,945,816	79,762
Miscellaneous operating revenues	19,702,275	21,389,381	19,411,979	(129,761)	19,282,218	(2,107,163)
Total operating revenues	70,661,273	78,634,987	77,434,677	(129,761)	77,304,916	(1,330,071)
Operating expenses:						
Personnel costs	158,490,135	150,726,898	143,949,609	3,222,426	147,172,035	3,554,863
Outside services	130,189,698	120,696,324	118,280,875	(1,456,237)	116,824,638	3,871,686
Transit operations funding	636,017	636,017	616,396	-	616,396	19,621
Materials and supplies	13,431,997	14,874,574	14,778,642	-	14,778,642	95,932
Energy costs	38,733,775	40,782,782	38,975,438	-	38,975,438	1,807,344
Risk management	7,119,617	7,525,997	11,538,889	(4,084,932)	7,453,957	72,040
Miscellaneous operating expenses	6,216,652	7,006,526	6,333,928	480,344	6,814,272	192,254
Depreciation	-	-	171,822,930	(171,822,930)	-	-
Total operating expenses	354,817,891	342,249,118	506,296,707	(173,661,329)	332,635,378	9,613,740
Operating income (loss)	(284,156,618)	(263,614,131)	(428,862,030)	173,531,568	(255,330,462)	8,283,669
Public support and nonoperating revenues (expenses):						
Federal revenue	144,882,187	119,128,946	141,982,464	(29,438,911)	112,543,553	(6,585,393)
Transportation Development Act (TDA) funds	68,804,580	68,804,581	124,385,030	(55,580,449)	68,804,581	-
State Transit Assistance (STA) funds	11,300,000	11,300,000	34,878,787	(23,578,787)	11,300,000	-
State revenue - other	200,000	200,000	9,558,324	(9,452,553)	105,771	(94,229)
<i>TransNet</i> funds	49,617,342	53,942,965	61,651,134	(1,339,036)	60,312,098	6,369,133
Other local subsidies	9,301,311	9,376,471	13,814,150	(4,048,122)	9,766,028	389,557
Investment earnings	351,412	176,020	800,004	(504,952)	295,052	119,032
Interest expense	(335,196)	(335,196)	(538,322)	226,394	(311,928)	23,268
Gain (loss) on disposal of assets	-	163,000	(761,659)	1,078,476	316,817	153,817
Total public support and nonoperating revenues (expenses):	284,121,636	262,756,787	385,769,912	(122,637,940)	263,131,972	375,185
Income (loss) before contributed capital	(34,982)	(857,344)	(43,092,118)	50,893,628	7,801,510	8,658,854
Reserve revenue	34,982	857,344	-	(233,648)	(233,648)	(1,090,992)
Contributed capital, net	-	-	1,618,702,719	(1,618,702,719)	-	-
Changes in net position	\$ -	\$ -	1,575,610,601	\$ (1,568,042,739)	\$ 7,567,862	\$ 7,567,862
Net Position:						
Beginning of year			1,918,928,475			
End of year			<u>\$ 3,494,539,076</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
General Operations
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	
Operating revenues:						
Advertising	\$ 1,458,998	\$ 1,866,054	\$ 1,945,816	\$ -	\$ 1,945,816	\$ 79,762
Miscellaneous operating revenues	18,267,270	19,885,463	17,690,378	(129,761)	17,560,617	(2,324,846)
Total operating revenues	19,726,268	21,751,517	19,636,194	(129,761)	19,506,433	(2,245,084)
Operating expenses:						
Personnel costs	24,849,179	24,246,769	24,176,310	(665,398)	23,510,912	735,857
Outside services	21,196,766	18,972,416	18,606,830	(268,621)	18,338,209	634,207
Transit operations funding	636,017	636,017	167,793,979	(167,177,583)	616,396	19,621
Materials and supplies	19,137	265,500	266,171	-	266,171	(671)
Energy costs	277,239	279,000	282,435	-	282,435	(3,435)
Risk management	921,102	670,930	466,880	224,931	691,811	(20,881)
Miscellaneous operating expenses	(20,667,860)	(17,304,420)	(17,288,241)	-	(17,288,241)	(16,179)
Depreciation	-	-	4,947,038	(4,947,038)	-	-
Total operating expenses	27,231,580	27,766,212	199,251,402	(172,833,709)	26,417,693	1,348,519
Operating income (loss)	(7,505,312)	(6,014,695)	(179,615,208)	172,703,948	(6,911,260)	(896,565)
Public support and nonoperating revenues (expenses):						
Federal revenue	5,991,352	4,227,149	141,982,464	(138,258,522)	3,723,942	(503,207)
Transportation Development Act (TDA) funds	636,017	636,017	124,385,030	(114,318,223)	10,066,807	9,430,790
State Transit Assistance (STA) funds	-	-	34,878,787	(34,878,787)	-	-
State revenue - other	-	-	9,558,324	(9,558,324)	-	-
TransNet funds	526,531	175,509	67,151,134	(66,966,613)	184,521	9,012
Other local subsidies	-	-	13,814,150	(13,814,150)	-	-
Investment earnings	351,412	176,020	800,004	(504,952)	295,052	119,032
Interest expense	-	-	-	-	-	-
Gain (loss) on disposal of assets	-	-	144,257	64,543	208,800	208,800
Total public support and nonoperating revenues (expenses):	7,505,312	5,214,695	392,714,150	(378,235,028)	14,479,122	9,264,427
Income (loss) before transfers and contributed capital	-	(800,000)	213,098,942	(205,531,080)	7,567,862	8,367,862
Transfers	-	-	(88,366,794)	88,366,794	-	-
Reserve revenue	-	800,000	-	-	-	(800,000)
Contributed capital, net	-	-	(122,871,067)	122,871,067	-	-
Changes in net position	\$ -	\$ -	1,861,081	\$ 5,706,781	\$ 7,567,862	\$ 7,567,862
Net Position:						
Beginning of year			329,359,326			
End of year			<u>\$ 331,220,407</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
For Hire Vehicle Administration
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Miscellaneous operating revenues	\$ 721,555	\$ 498,662	\$ 627,969	\$ -	\$ 627,969	\$ 129,307
Total operating revenues	<u>721,555</u>	<u>498,662</u>	<u>627,969</u>	<u>-</u>	<u>627,969</u>	<u>129,307</u>
Operating expenses:						
Personnel costs	493,744	447,337	430,981	-	430,981	16,356
Outside services	43,600	27,630	16,581	-	16,581	11,049
Materials and supplies	-	500	(520)	-	(520)	1,020
Energy costs	15,220	9,126	8,209	-	8,209	917
Risk management	9,500	9,000	8,075	-	8,075	925
Miscellaneous operating expenses	96,725	66,735	52,973	-	52,973	13,762
Depreciation	-	-	-	-	-	-
Total operating expenses	<u>658,789</u>	<u>560,328</u>	<u>516,299</u>	<u>-</u>	<u>516,299</u>	<u>44,029</u>
Operating income (loss)	62,766	(61,666)	111,670	-	111,670	173,336
Income (loss) before transfers	62,766	(61,666)	111,670	-	111,670	173,336
Reserve revenue	(62,766)	61,666	-	(111,670)	(111,670)	(173,336)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	111,670	<u>\$ (111,670)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			313,637			
End of year			<u>\$ 425,307</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego and Arizona Eastern Railway
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis	Actuals on	
				Adjustments	Budget Basis	
Operating revenues:						
Miscellaneous operating revenues	\$ 160,000	\$ 160,000	\$ 189,541	\$ -	\$ 189,541	\$ 29,541
Total operating revenues	<u>160,000</u>	<u>160,000</u>	<u>189,541</u>	<u>-</u>	<u>189,541</u>	<u>29,541</u>
Operating expenses:						
Personnel costs	27,703	10,357	5,354	-	5,354	5,003
Outside services	70,100	35,100	9,332	-	9,332	25,768
Risk management	132,484	82,760	32,305	-	32,305	50,455
Miscellaneous operating expenses	27,461	27,461	20,572	-	20,572	6,889
Depreciation	-	-	16,027	(16,027)	-	-
Total operating expenses	<u>257,748</u>	<u>155,678</u>	<u>83,590</u>	<u>(16,027)</u>	<u>67,563</u>	<u>88,115</u>
Operating income (loss)	(97,748)	4,322	105,951	16,027	121,978	117,656
Income (loss) before transfers and contributed capital	(97,748)	4,322	105,951	16,027	121,978	117,656
Reserve revenue	97,748	(4,322)	-	(121,978)	(121,978)	(117,656)
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	105,951	<u>\$ (105,951)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			17,938,080			
End of year			<u>\$ 18,044,031</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
MTS - Contracted Services
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	
Operating revenues:						
Passenger revenue	\$ 14,338,029	\$ 20,295,004	\$ 15,739,506	\$ -	\$ 15,739,506	\$ (4,555,498)
Total operating revenues	<u>14,338,029</u>	<u>20,295,004</u>	<u>15,739,506</u>	<u>-</u>	<u>15,739,506</u>	<u>(4,555,498)</u>
Operating expenses:						
Personnel costs	746,544	803,112	933,825	-	933,825	(130,713)
Outside services	97,079,244	90,071,005	87,785,639	-	87,785,639	2,285,366
Materials and supplies	57,600	472,467	435,612	-	435,612	36,855
Energy costs	8,935,249	9,757,243	10,119,769	-	10,119,769	(362,526)
Risk management	15,300	15,300	10,252	-	10,252	5,048
Miscellaneous operating expenses	3,362,357	2,812,676	2,438,979	342,524	2,781,503	31,173
Depreciation	-	-	25,894,939	(25,894,939)	-	-
Total operating expenses	<u>110,196,294</u>	<u>103,931,803</u>	<u>127,619,015</u>	<u>(25,552,415)</u>	<u>102,066,600</u>	<u>1,865,203</u>
Operating income (loss)	<u>(95,858,265)</u>	<u>(83,636,799)</u>	<u>(111,879,509)</u>	<u>25,552,415</u>	<u>(86,327,094)</u>	<u>(2,690,295)</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	50,458,728	36,121,235	33,294,462	-	33,294,462	(2,826,773)
Transportation Development Act (TDA) funds	34,804,715	37,011,870	41,620,256	-	41,620,256	4,608,386
State Transit Assistance (STA) funds	-	-	700,000	-	700,000	700,000
State revenue - other	200,000	200,000	105,771	-	105,771	(94,229)
<i>TransNet</i> funds	9,093,511	9,002,383	8,948,430	-	8,948,430	(53,953)
Other local subsidies	1,301,311	1,301,311	1,658,175	-	1,658,175	356,864
Interest expense	-	-	(180,389)	180,389	-	-
Total public support and nonoperating revenues (expenses):	<u>95,858,265</u>	<u>83,636,799</u>	<u>86,146,705</u>	<u>180,389</u>	<u>86,327,094</u>	<u>2,690,295</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(25,732,804)</u>	<u>25,732,804</u>	<u>-</u>	<u>-</u>
Contributed capital, net	<u>-</u>	<u>-</u>	<u>25,933,205</u>	<u>(25,933,205)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>200,401</u>	<u>\$ (200,401)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			<u>282,521,408</u>			
End of year			<u>\$ 282,721,809</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego Transit Corporation (SDTC)
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	
Operating revenues:						
Passenger revenue	\$ 13,939,714	\$ 19,067,526	\$ 14,818,612	\$ -	\$ 14,818,612	\$ (4,248,914)
Miscellaneous operating revenues	3,450	-	-	-	-	-
Total operating revenues	<u>13,943,164</u>	<u>19,067,526</u>	<u>14,818,612</u>	<u>-</u>	<u>14,818,612</u>	<u>(4,248,914)</u>
Operating expenses:						
Personnel costs	84,883,722	80,264,243	76,461,510	5,190	76,466,700	3,797,543
Outside services	2,092,644	1,850,937	1,642,708	(2,367)	1,640,341	210,596
Materials and supplies	6,255,058	7,045,155	6,620,197	-	6,620,197	424,958
Energy costs	7,097,982	7,597,000	7,994,945	-	7,994,945	(397,945)
Risk management	2,832,205	3,359,251	5,460,651	(2,052,750)	3,407,901	(48,650)
Miscellaneous operating expenses	4,921,907	4,046,808	3,968,030	95,372	4,063,402	(16,594)
Depreciation	-	-	27,339,470	(27,339,470)	-	-
Total operating expenses	<u>108,083,518</u>	<u>104,163,394</u>	<u>129,487,511</u>	<u>(29,294,025)</u>	<u>100,193,486</u>	<u>3,969,908</u>
Operating income (loss)	<u>(94,140,354)</u>	<u>(85,095,868)</u>	<u>(114,668,899)</u>	<u>29,294,025</u>	<u>(85,374,874)</u>	<u>(279,006)</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	42,815,530	37,684,895	35,700,355	-	35,700,355	(1,984,540)
Transportation Development Act (TDA) funds	2,215,979	2,663,921	2,019,623	(2,367)	2,017,256	(646,665)
State Transit Assistance (STA) funds	6,300,000	11,300,000	9,800,000	-	9,800,000	(1,500,000)
<i>TransNet</i> funds	35,144,041	25,574,088	29,989,447	-	29,989,447	4,415,359
Other local subsidies	8,000,000	8,075,160	8,107,853	-	8,107,853	32,693
Interest expense	(335,196)	(335,196)	(330,750)	18,822	(311,928)	23,268
Gain (loss) on disposal of assets	-	133,000	22,687	49,204	71,891	(61,109)
Total public support and nonoperating revenues (expenses):	<u>94,140,354</u>	<u>85,095,868</u>	<u>85,309,215</u>	<u>65,659</u>	<u>85,374,874</u>	<u>279,006</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(29,359,684)</u>	<u>29,359,684</u>	<u>-</u>	<u>-</u>
Contributed capital, net	<u>-</u>	<u>-</u>	<u>10,784,756</u>	<u>(10,784,756)</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>(18,574,928)</u>	<u>\$ 18,574,928</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			<u>128,943,984</u>			
End of year			<u>\$ 110,369,056</u>			

San Diego Metropolitan Transit System
Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual
San Diego Trolley, Inc. (SDTI)
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actuals per Statement of Revenues, Expenses, and Changes in Net Position Amounts	Budget Basis Adjustments	Actuals on Budget Basis	
Operating revenues:						
Passenger revenue	\$ 21,222,257	\$ 16,017,022	\$ 25,518,764	\$ -	\$ 25,518,764	\$ 9,501,742
Miscellaneous operating revenues	550,000	845,256	904,091	-	904,091	58,835
Total operating revenues	<u>21,772,257</u>	<u>16,862,278</u>	<u>26,422,855</u>	<u>-</u>	<u>26,422,855</u>	<u>9,560,577</u>
Operating expenses:						
Personnel costs	47,489,243	44,955,080	41,941,629	3,882,634	45,824,263	(869,183)
Outside services	9,707,344	9,739,236	10,219,785	(1,185,249)	9,034,536	704,700
Materials and supplies	7,100,202	7,090,952	7,457,182	-	7,457,182	(366,230)
Energy costs	22,408,085	23,140,413	20,570,080	-	20,570,080	2,570,333
Risk management	3,209,026	3,388,756	5,560,726	(2,257,113)	3,303,613	85,143
Miscellaneous operating expenses	18,476,062	17,357,266	17,141,615	42,448	17,184,063	173,203
Depreciation	-	-	113,625,456	(113,625,456)	-	-
Total operating expenses	<u>108,389,962</u>	<u>105,671,703</u>	<u>216,516,473</u>	<u>(113,142,736)</u>	<u>103,373,737</u>	<u>2,297,966</u>
Operating income (loss)	<u>(86,617,705)</u>	<u>(88,809,425)</u>	<u>(190,093,618)</u>	<u>113,142,736</u>	<u>(76,950,882)</u>	<u>11,858,543</u>
Public support and nonoperating revenues (expenses):						
Federal revenue	45,616,577	41,095,667	39,824,794	-	39,824,794	(1,270,873)
Transportation Development Act (TDA) funds	31,147,869	28,492,773	16,285,511	(1,185,249)	15,100,262	(13,392,511)
State Transit Assistance (STA) funds	5,000,000	-	800,000	-	800,000	800,000
<i>TransNet</i> funds	4,853,259	19,190,985	21,189,700	-	21,189,700	1,998,715
Interest expense	-	-	(27,183)	27,183	-	-
Gain (loss) on disposal of assets	-	30,000	(928,603)	964,729	36,126	6,126
Total public support and nonoperating revenues (expenses):	<u>86,617,705</u>	<u>88,809,425</u>	<u>77,144,219</u>	<u>(193,337)</u>	<u>76,950,882</u>	<u>(11,858,543)</u>
Income (loss) before contributed capital	<u>-</u>	<u>-</u>	<u>(112,949,399)</u>	<u>112,949,399</u>	<u>-</u>	<u>-</u>
Contributed capital, net	-	-	1,704,855,825	(1,704,855,825)	-	-
Changes in net position	<u>\$ -</u>	<u>\$ -</u>	<u>1,591,906,426</u>	<u>\$ (1,591,906,426)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position:						
Beginning of year			<u>1,159,852,040</u>			
End of year			<u>\$ 2,751,758,466</u>			

STATISTICAL SECTION

(Unaudited)

Included in this section of the Metropolitan Transit System annual comprehensive financial report is detailed information to assist in analysis and understanding of the information presented in the financial statements, notes and required supplementary information.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how MTS's financial position has changed over time.

Revenue Capacity

These schedules contain detailed information about the fare structures and revenue generated from transit operations provided by MTS.

Debt Capacity

This schedule presents information to help the reader assess the affordability of MTS's current levels of outstanding debt and MTS's ability to issue debt in the future.

Demographic and Economic Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

Operating Information

These schedules provide service and infrastructure data to help the reader understand how the information in MTS's financial report relates to the services MTS provides.

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FINANCIAL TRENDS

San Diego Metropolitan Transit System
Net Position by Component (in 000's)
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Business-type activities:					
Net investment in capital assets and lease assets	\$ 3,484,796	\$ 1,964,358	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808
Restricted	-	-	218	212	4,545
Unrestricted	9,743	(45,430)	(12,024)	(53,159)	(55,407)
Total business-type activities net position	<u><u>\$ 3,494,539</u></u>	<u><u>\$ 1,918,928</u></u>	<u><u>\$ 1,862,514</u></u>	<u><u>\$ 1,769,975</u></u>	<u><u>\$ 1,734,946</u></u>
Primary government:					
Net investment in capital assets and lease assets	\$ 3,484,796	\$ 1,964,358	\$ 1,874,320	\$ 1,822,922	\$ 1,785,808
Restricted	-	-	218	212	4,545
Unrestricted	9,743	(45,430)	(12,024)	(53,159)	(55,407)
Total primary government net position	<u><u>\$ 3,494,539</u></u>	<u><u>\$ 1,918,928</u></u>	<u><u>\$ 1,862,514</u></u>	<u><u>\$ 1,769,975</u></u>	<u><u>\$ 1,734,946</u></u>

Note: "Net investment in capital assets" was changed to "Net investment in capital and lease assets" in 2022 with the implementation of GASB 87.

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Net Position by Component (in 000's)(Continued)
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Business-type activities:					
Net investment in capital assets and lease assets	\$ 1,739,360	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217
Restricted	4,440	8,750	5,309	6,742	7,255
Unrestricted	(19,615)	(31,668)	(31,900)	181,114	189,837
Total business-type activities net position	<u>\$ 1,724,185</u>	<u>\$ 1,737,509</u>	<u>\$ 1,672,631</u>	<u>\$ 1,583,062</u>	<u>\$ 1,493,309</u>
Primary government:					
Net investment in capital assets and lease assets	\$ 1,739,360	\$ 1,760,427	\$ 1,699,222	\$ 1,395,206	\$ 1,296,217
Restricted	4,440	8,750	5,309	6,742	7,255
Unrestricted	(19,615)	(31,668)	(31,900)	181,114	189,837
Total primary government net position	<u>\$ 1,724,185</u>	<u>\$ 1,737,509</u>	<u>\$ 1,672,631</u>	<u>\$ 1,583,062</u>	<u>\$ 1,493,309</u>

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Changes in Net Position (in 000's)
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Operating revenues:					
Passenger revenue	\$ 56,077	\$ 47,913	\$ 79,532	\$ 92,225	\$ 90,236
Advertising	1,946	1,013	2,027	1,604	1,131
Charter	-	-	-	-	-
Miscellaneous	19,412	17,411	18,627	18,831	17,404
Total operating revenues	77,435	66,337	100,186	112,660	108,771
Operating expenses:					
Personnel costs	143,950	151,561	149,331	146,006	146,282
Outside services	118,281	111,280	110,590	107,846	101,574
Transit operations funding	616	397	523	498	488
Materials and supplies	14,779	16,334	14,275	12,927	14,918
Energy costs	38,975	31,262	28,587	28,784	26,414
Risk management	11,539	5,584	7,858	2,183	6,675
Miscellaneous	6,334	4,750	4,394	5,446	5,854
Depreciation	171,823	124,496	127,365	123,007	120,928
Total operating expenses	506,297	445,664	442,923	426,697	423,133
Operating (loss)	(428,862)	(379,327)	(342,737)	(314,037)	(314,362)
Public support and nonoperating revenues (expenses):					
Grants and contributions	386,270	396,581	312,705	243,544	253,298
Investment earnings	800	1,086	1,899	1,952	941
Interest expense	(538)	(686)	(797)	(671)	(809)
Gain (loss) on disposal of assets	(762)	(249)	2,243	(2,351)	(809)
Other expenses	-	-	-	-	-
Total public support and nonoperating revenues (expenses)	385,770	396,733	316,050	242,474	252,621
Income (loss) before contributed capital	(43,092)	17,404	(26,686)	(71,563)	(61,741)
Contributed capital, net	1,618,703	39,010	119,225	106,592	99,551
Changes in net position	\$ 1,575,611	\$ 56,414	\$ 92,539	\$ 35,029	\$ 37,810

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Changes in Net Position (in 000's)(Continued)
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Operating revenues:					
Passenger revenue	\$ 93,279	\$ 97,914	\$ 97,615	\$ 93,995	\$ 90,652
Advertising	1,379	968	816	870	972
Charter	-	-	6	30	1
Miscellaneous	18,863	15,781	9,349	9,531	4,934
Total operating revenues	113,521	114,663	107,786	104,426	96,559
Operating expenses:					
Personnel costs	137,021	121,921	114,575	117,092	123,720
Outside services	97,800	94,802	84,302	73,859	67,414
Transit operations funding	463	491	2,692	4,243	3,571
Materials and supplies	13,065	9,715	10,307	9,276	8,469
Energy costs	25,552	24,531	28,003	26,044	22,572
Risk management	4,276	4,864	5,849	3,610	2,902
Miscellaneous	5,934	4,978	4,975	6,244	6,493
Depreciation	123,880	119,520	108,199	103,198	92,788
Total operating expenses	407,991	380,822	358,902	343,566	327,929
Operating (loss)	(294,470)	(266,159)	(251,116)	(239,140)	(231,370)
Public support and nonoperating revenues (expenses):					
Grants and contributions	232,775	235,763	235,755	211,517	183,945
Investment earnings	636	292	3,065	6,087	6,267
Interest expense	(963)	(1,071)	(6,883)	(6,982)	(7,520)
Gain (loss) on disposal of assets	396	2,433	67	(273)	804
Other expenses	-	-	-	(13)	(13)
Total public support and nonoperating revenues (expenses)	232,844	237,417	232,004	210,336	183,483
Income (loss) before contributed capital	(61,626)	(28,742)	(19,112)	(28,804)	(47,887)
Contributed capital, net	48,301	93,619	245,717	118,768	132,182
Changes in net position	\$ (13,325)	\$ 64,877	\$ 226,605	\$ 89,964	\$ 84,295

Source: Audited Financial Statements.

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REVENUE CAPACITY

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San Diego Metropolitan Transit System
Operating Revenues by Source (in 000's)
Last Ten Fiscal Years

Fiscal Year Ended	Passenger Fares	Federal Operating Funds	State Operating Funds	Local Operating Funds	Other
San Diego Transit Corporation					
2013	\$ 28,621	\$ 20,266	\$ 31,954	\$ 18,886	\$ 6
2014	27,781	19,336	16,489	20,897	34
2015	27,156	18,096	18,085	28,982	5
2016	26,169	18,000	15,993	35,558	2
2017	24,864	20,000	17,138	31,038	10
2018	23,034	20,225	16,467	38,889	187
2019	22,041	20,500	10,050	40,904	6
2020	19,749	27,350	12,955	40,401	3
2021	14,430	46,955	7,374	43,580	-
2022	14,819	35,700	11,820	38,097	-
San Diego Trolley, Inc.					
2013	\$ 35,554	\$ 22,426	\$ 3,379	\$ 5,000	\$ 574
2014	40,188	22,913	1,501	5,000	1,256
2015	41,140	21,151	5,047	5,000	628
2016	41,113	21,148	6,040	5,000	698
2017	38,968	23,149	13,609	5,000	704
2018	39,354	24,247	22,930	-	777
2019	42,006	24,751	17,012	-	789
2020	36,464	30,213	23,808	187	740
2021	19,338	45,824	31,897	-	586
2022	25,519	39,825	17,086	21,190	904
MTS - Contracted Services					
2013	\$ 26,476	\$ 5,595	\$ 28,132	\$ 2,368	\$ -
2014	26,025	10,362	26,906	2,665	-
2015	29,318	14,127	30,543	2,123	79
2016	30,631	13,827	33,796	2,258	(2)
2017	29,447	13,838	36,162	2,296	2
2018	27,848	14,599	38,320	2,699	2
2019	28,178	15,613	41,445	5,705	1
2020	23,319	22,221	36,414	9,448	-
2021	14,146	39,296	26,591	9,875	-
2022	15,740	33,294	42,426	10,607	-

Source: Audited Financial Statements.

San Diego Metropolitan Transit System
Fare Structure
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
*Stored Value One Way Fares					
One-way fare, Regional	\$ 2.50	\$ -	\$ -	\$ -	\$ -
Senior/disabled, Regional	1.25	-	-	-	-
One-way fare, Premium Regional	5.00	-	-	-	-
Senior/disabled, Premium Regional	2.50	-	-	-	-
Rural	8.00	-	-	-	-
Senior/disabled Rural	4.00	-	-	-	-
Bus Cash Fares					
One-way fare, regional	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.25	\$ 2.25
Senior/disabled, regional	1.25	1.25	1.25	1.10	1.10
Youth regional	1.25	1.25	1.25	2.25	2.25
Rapid/Express	2.50	2.50	2.50	2.50	2.50
Senior/disabled Rapid/Express	1.25	1.25	1.25	1.25	1.25
Youth Rapid/Express	1.25	1.25	1.25	2.50	2.50
Rapid Express/Premium	5.00	5.00	5.00	5.00	5.00
Senior/disabled Rapid Express/Premium	2.50	2.50	2.50	2.50	2.50
Youth Rapid Express/Premium	2.50	2.50	2.50	5.00	5.00
Rural bus	8.00	8.00	8.00	5.00-10.00	5.00-10.00
Senior/disabled Rural bus	4.00	4.00	4.00	2.50-5.00	2.50-5.00
Youth Rural bus	4.00	4.00	4.00	5.00-10.00	5.00-10.00
Trolley Cash Fares					
One-way fare, all stations	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Senior/disabled one-way fare	1.25	1.25	1.25	1.25	1.25
Youth one-way fare	1.25	1.25	1.25	2.50	2.50
Bus and Trolley Day Passes					
Regional day pass	\$ 6.00	\$ 6.00	\$ 6.00	\$ 5.00	\$ 5.00
Senior/disabled and youth	3.00	3.00	3.00	5.00	5.00
Premium regional day	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	6.00	6.00	6.00	12.00	12.00
Bus and Trolley Monthly Passes					
Regional monthly pass	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00
Senior/disabled Regional	23.00	23.00	23.00	18.00	18.00
Youth Regional	-	23.00	23.00	36.00	36.00
14-Day Regional	-	-	-	43.00	43.00
Premium Regional monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Premium Regional	32.00	32.00	32.00	25.00	25.00
Youth Premium Regional	-	32.00	32.00	50.00	50.00
14-Day Rapid Express/Premium	-	-	-	60.00	60.00

*Riders using PRONTO Stored Value can transfer free to a Regional service within two (2) hours of paying a one-way fare.

*The PRONTO system will charge a customer the cost of a one-way fare per boarding up to a daily and monthly maximum equal to the cost of a Day or Monthly Pass. Once the cap is reached, additional boardings made during the day or month after reaching the cap are free. Beginning May 2022, Youth riders with a valid PRONTO card are free. Cash paying passengers will still need to pay the youth fare.

SOURCE: SANDAG Comprehensive Fare Ordinance, amendments effective April 2021.

San Diego Metropolitan Transit System
Fare Structure (Continued)
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
*Stored Value One Way Fares					
One-way fare, Regional	\$ -	\$ -	\$ -	\$ -	\$ -
Senior/disabled, Regional	-	-	-	-	-
One-way fare, Premium Regional	-	-	-	-	-
Senior/disabled, Premium Regional	-	-	-	-	-
Rural	-	-	-	-	-
Senior/disabled Rural	-	-	-	-	-
Bus Cash Fares					
One-way fare, regional	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25
Senior/disabled, regional	1.10	1.10	1.10	1.10	1.10
Youth regional	2.25	2.25	2.25	2.25	2.25
Rapid/Express	2.50	2.50	2.50	2.50	2.50
Senior/disabled Rapid/Express	1.25	1.25	1.25	1.25	1.25
Youth Rapid/Express	2.50	2.50	2.50	2.50	2.50
Rapid Express/Premium	5.00	5.00	5.00	5.00	5.00
Senior/disabled Rapid Express/Premium	2.50	2.50	2.50	2.50	2.50
Youth Rapid Express/Premium	5.00	5.00	5.00	5.00	5.00
Rural bus	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00
Senior/disabled Rural bus	2.50-5.00	2.50-5.00	2.50-5.00	2.50-5.00	2.50-5.00
Youth Rural bus	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00	5.00-10.00
Trolley Cash Fares					
One-way fare, all stations	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Senior/disabled one-way fare all stations	1.25	1.25	1.25	1.25	1.25
Youth one-way fare	2.50	2.50	2.50	2.50	2.50
Bus and Trolley Day Passes					
Regional day pass	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Senior/disabled and youth	5.00	5.00	5.00	5.00	5.00
Premium regional day	12.00	12.00	12.00	12.00	12.00
Senior/disabled and youth premium regional day	12.00	12.00	12.00	12.00	12.00
Bus and Trolley Monthly Passes					
Regional monthly pass	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00	\$ 72.00
Senior/disabled Regional	18.00	18.00	18.00	18.00	18.00
Youth Regional	36.00	36.00	36.00	36.00	36.00
14-Day Regional	43.00	43.00	43.00	43.00	43.00
Premium Regional monthly pass	100.00	100.00	100.00	100.00	100.00
Senior/disabled Premium Regional	25.00	25.00	25.00	25.00	25.00
Youth Premium Regional	50.00	50.00	50.00	50.00	50.00
14-Day Rapid Express/Premium	60.00	60.00	60.00	60.00	60.00

**San Diego Metropolitan Transit System
Farebox Recovery Percentage
Last Ten Fiscal Years**

Fiscal Year Ended	San Diego Transit	San Diego Trolley	MTS-Contracted Services
2013	29.01	53.98	42.31
2014	30.34	56.52	39.46
2015	29.50	56.64	38.48
2016	27.39	54.76	38.05
2017	26.21	47.81	36.02
2018	23.12	44.89	33.36
2019	23.41	49.71	30.98
2020	19.94	39.16	25.51
2021	12.82	20.32	15.73
2022	14.33	23.86	15.41

Source: Audited financial statements; calculated as passenger revenue divided by operating expenses (less depreciation, GASB 68 related pension expense and GASB 75 related OPEB expenses), and interest expense.

DEBT CAPACITY

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San Diego Metropolitan Transit System
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Year ended June 30	Capital Lease - Tower	1995 LRV Lease/ Leaseback	Pension Obligation Bonds	Total	Percentage of Personal Income	Debt per Capita
2013	\$ 4,189,818	\$ 115,264,486	\$ 25,880,000	\$ 145,334,304	0.09%	\$ 46
2014	3,614,149	113,457,002	23,965,000	141,036,151	0.08%	44
2015	3,006,729	18,108,323	21,960,000	43,075,052	0.02%	13
2016	2,393,787	-	19,860,000	22,253,787	0.01%	7
2017	1,747,713	-	17,655,000	19,402,713	0.01%	6
2018	1,071,269	-	15,340,000	16,411,269	0.01%	5
2019	363,072	-	12,910,000	13,273,072	0.01%	4
2020	-	-	10,355,000	10,355,000	0.01%	3
2021	-	-	7,665,000	7,665,000	0.00%	2
2022	-	-	4,830,000	4,830,000	0.00%	1

Details regarding MTS's outstanding debt can be found in the notes to the financial statements.

- MTS retired the 1995 LRV Lease/Leaseback obligation in FY2016
- MTS retired the Capital Lease - Tower in FY2020

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DEMOGRAPHIC AND ECONOMIC INFORMATION

**San Diego Metropolitan Transit System
Regional Population and Personal Income Statistics
Last Ten Fiscal Years**

	County of San Diego Population (1)	County of San Diego Personal Income (thousands) (1)	Per Capita Personal Income (1)	San Diego County Average Unemployment Rate (2)
2013	3,207,852	\$ 157,800,000	\$ 52,674	7.40%
2014	3,247,475	167,600,000	54,554	6.10%
2015	3,275,897	180,100,000	56,796	5.00%
2016	3,297,202	186,100,000	60,271	5.10%
2017	3,320,387	193,300,000	60,460	4.30%
2018	3,344,430	204,500,000	61,134	3.70%
2019	3,366,285	216,700,000	62,665	3.30%
2020	3,386,230	225,500,000	63,105	13.90%
2021	3,366,072	221,300,000	63,169	7.00%
2022	3,338,338	236,000,000	67,434	3.20%

Source:

(1) California Department of Transportation - Actuals 2013-2020, Forecast 2021-2022

(2) California Employment Development Department, June 2022

**San Diego Metropolitan Transit System
Full-Time and Part-Time Employees by Function
Last Ten Fiscal Years**

	<u>MTS</u>	<u>San Diego Transit</u>	<u>San Diego Trolley</u>	<u>Total</u>
2013	136	786	599	1,521
2014	149	785	600	1,534
2015	154	852	595	1,601
2016	163	823	571	1,557
2017	165	825	578	1,568
2018	166	802	593	1,561
2019	166	841	612	1,619
2020	169	833	624	1,626
2021	168	793	643	1,604
2022	160	753	657	1,570

Source: MTS Human Resources records

San Diego Metropolitan Transit System Ten Largest Employers in San Diego County

Company Name	Number of Employees (1)	Percent of 1,515,800 County Total (2)
Naval Base San Diego	43,003	2.84%
University of California, San Diego	35,807	2.36%
Sharp HealthCare	19,321	1.27%
County of San Diego	17,285	1.14%
Scripps Health	14,001	0.92%
San Diego Unified School District	13,559	0.89%
City of San Diego	11,295	0.75%
Qualcomm Inc.	11,200	0.74%
Kaiser Permanente	9,166	0.60%
Northrop Grumman Corporation	5,652	0.37%

Source:

1. Data for fiscal year 2022 not available as of publication date. Data shown for the most recent available information: City of San Diego Annual Comprehensive Financial Report - June 30, 2021
2. Employment Development Department, State of California, June 2022

Note: County of San Diego employment information is presented. Employer information is not currently available for the area served by the Metropolitan Transit System within San Diego County. MTS presents only current employment data for the County of San Diego.

OPERATING INFORMATION

San Diego Metropolitan Transit System
Operating Indicators by Function
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Operating Cost (in 000's)					
San Diego Transit	\$ 103,386	\$ 112,591	\$ 99,027	\$ 94,160	\$ 99,619
San Diego Trolley	106,936	95,148	93,117	84,507	87,666
MTS-Contract Services	102,143	89,907	91,403	90,942	83,468
Farebox Revenue (in 000's)					
San Diego Transit	\$ 14,819	\$ 14,430	\$ 19,749	\$ 22,041	\$ 23,034
San Diego Trolley	25,519	19,338	36,464	42,006	39,354
MTS-Contract Services	15,740	14,146	23,319	28,178	27,848
Total Passengers (in 000's)					
San Diego Transit	\$ 13,098	\$ 8,604	\$ 18,383	\$ 22,397	\$ 22,867
San Diego Trolley	29,739	19,516	32,003	37,294	36,995
MTS-Contract Services	14,780	11,095	20,838	25,667	25,567
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,426	\$ 9,632	\$ 9,236	\$ 9,739	\$ 9,684
San Diego Trolley	11,627	10,077	9,210	8,821	8,656
MTS-Contract Services	13,675	12,966	14,485	15,666	14,983
Subsidy / Total Passenger					
San Diego Transit	\$ 6.76	\$ 11.41	\$ 4.32	\$ 3.22	\$ 3.35
San Diego Trolley	2.74	3.88	1.76	1.14	1.31
MTS-Contract Services	5.85	6.83	3.27	2.45	2.18

Source: NTD Report, and audited financial statements.

San Diego Metropolitan Transit System
Operating Indicators by Function (Continued)
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Operating Cost (in 000's)					
San Diego Transit	\$ 94,878	\$ 95,526	\$ 92,059	\$ 91,568	\$ 98,666
San Diego Trolley	81,501	75,086	72,637	71,098	65,859
MTS-Contract Services	81,744	80,511	76,190	65,959	62,573
Farebox Revenue (in 000's)					
San Diego Transit	\$ 24,864	\$ 26,169	\$ 27,156	\$ 27,781	\$ 28,621
San Diego Trolley	38,968	41,113	41,140	40,188	35,554
MTS-Contract Services	29,447	30,631	29,318	26,025	26,476
Total Passengers (in 000's)					
San Diego Transit	\$ 24,315	\$ 25,628	\$ 27,264	\$ 28,541	\$ 28,927
San Diego Trolley	37,639	39,614	40,082	39,695	29,699
MTS-Contract Services	26,241	27,194	27,574	23,761	23,479
Revenue Miles (in 000's)					
San Diego Transit	\$ 9,626	\$ 9,702	\$ 9,561	\$ 8,695	\$ 8,557
San Diego Trolley	8,728	8,424	8,596	8,516	7,758
MTS-Contract Services	15,144	14,969	13,328	12,139	11,607
Subsidy / Total Passenger					
San Diego Transit	\$ 2.88	\$ 2.71	\$ 2.38	\$ 2.24	\$ 2.42
San Diego Trolley	1.13	0.86	0.78	0.78	1.02
MTS-Contract Services	2.00	1.83	1.70	1.68	1.54

Source: NTD Report, and audited financial statements.

San Diego Metropolitan Transit System
Service Performance Data
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,426	9,632	9,236	9,739	9,684
Vehicle Revenue Hours (in 000's)	806	814	782	823	821
Passengers (in 000's)	13,098	8,604	18,383	22,397	22,867
Passenger Miles (in 000's)	57,895	45,774	80,855	98,896	104,545
Number of Vehicles	270	278	277	271	271
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	11,627	10,077	9,210	8,821	8,656
Vehicle Revenue Hours (in 000's)	639	555	508	487	478
Passenger Car Hours (in 000's)	658	571	527	500	486
Passengers (in 000's)	29,739	19,516	32,003	37,294	36,995
Passenger Miles (in 000's)	210,465	123,389	194,285	219,453	214,376
Number of Vehicles	157	163	168	142	131
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	13,675	12,966	14,485	15,666	14,983
Vehicle Revenue Hours (in 000's)	1,207	1,168	1,237	1,305	1,256
Passengers (in 000's)	14,780	11,095	20,838	25,667	25,567
Passenger Miles (in 000's)	58,910	44,276	82,173	97,045	94,665
Number of Vehicles	456	468	508	529	536
Total					
Passengers (in 000's)	57,617	39,215	71,224	85,358	85,429
Passenger Miles (in 000's)	327,270	213,439	357,313	415,394	413,586

Source: NTD Report and MTS internal capital asset system

San Diego Metropolitan Transit System
Service Performance Data (Continued)
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Service Provided					
San Diego Transit					
Vehicle Revenue Miles (in 000's)	9,626	9,702	9,561	8,695	8,557
Vehicle Revenue Hours (in 000's)	822	825	806	795	787
Passengers (in 000's)	24,315	25,628	27,264	28,541	28,927
Passenger Miles (in 000's)	109,727	111,639	117,585	110,009	108,222
Number of Vehicles	278	279	272	310	260
San Diego Trolley					
Vehicle Revenue Miles (in 000's)	8,728	8,424	8,596	8,516	7,758
Vehicle Revenue Hours (in 000's)	490	493	496	504	472
Passenger Car Hours (in 000's)	504	507	509	512	476
Passengers (in 000's)	37,639	39,614	40,082	39,695	29,699
Passenger Miles (in 000's)	210,971	223,185	224,422	228,531	173,151
Number of Vehicles	179	179	179	179	178
MTS-Contracted Services					
Vehicle Revenue Miles (in 000's)	15,144	14,969	13,328	12,139	11,607
Vehicle Revenue Hours (in 000's)	1,269	1,252	1,112	998	961
Passengers (in 000's)	26,241	27,194	27,573	23,761	23,479
Passenger Miles (in 000's)	95,940	97,479	94,504	85,269	84,021
Number of Vehicles	526	520	520	449	427
Total					
Passengers (in 000's)	88,195	92,436	94,919	91,997	82,105
Passenger Miles (in 000's)	416,638	432,303	436,511	423,809	365,394

Source: NTD Report and MTS internal capital asset system

San Diego Metropolitan Transit System
Capital Asset and Lease Asset Statistics by Function
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	-	-	-
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	11	11	11	11	11
Buses	270	278	277	271	271
Nonrevenue vehicles	11	12	14	15	15
San Diego Trolley					
Trolley stations	63	54	55	54	54
Track miles	65	54	54	54	54
Buildings and structures	2	-	-	-	-
Light rail vehicles (total inventory)	157	163	168	142	131
Nonrevenue vehicles	9	10	11	11	11
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	11	11	11	11	5
Buses	456	468	508	529	536
Nonrevenue vehicles	2	2	2	7	7
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	-	1	1	1

Source: MTS ERP System

San Diego Metropolitan Transit System
Capital Asset and Lease Asset Statistics by Function (Continued)
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
General Operations					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	-	1	3	3	3
San Diego Transit					
Land (parcels)	2	2	2	2	2
Buildings and structures	9	8	7	7	4
Buses	278	279	272	310	260
Nonrevenue vehicles	12	12	12	12	14
San Diego Trolley					
Trolley stations	54	54	54	54	54
Track miles	54	54	54	54	54
Buildings and structures	-	-	-	-	-
Light rail vehicles (total inventory)	179	179	179	179	178
Nonrevenue vehicles	12	12	16	16	15
MTS - Contracted Services					
Land (parcel)	2	2	2	2	2
Buildings and structures	4	4	4	4	4
Buses	526	520	520	449	427
Nonrevenue vehicles	9	9	10	8	8
For Hire Vehicle Administration					
Buildings and structures	1	1	1	1	1
Nonrevenue vehicles	1	1	2	2	2

Source: MTS ERP System

San Diego Metropolitan Transit System
Ridership
Last Ten Fiscal Years

	2022	2021	2020	2019	2018
Ridership (in 000's)					
San Diego Transit	13,098	8,604	18,383	22,397	22,867
% Change	52.23%	-53.20%	-17.92%	-2.06%	-5.96%
San Diego Trolley	29,739	19,516	32,003	37,294	36,995
% Change	52.38%	-39.02%	-14.19%	0.81%	-1.71%
MTS - Contracted Services	14,780	11,095	20,838	25,667	25,567
% Change	33.21%	-46.76%	-18.81%	0.39%	-2.57%

Source: NTD Report

**San Diego Metropolitan Transit System
Ridership (Continued)
Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
Ridership (in 000's)					
San Diego Transit	24,315	25,628	27,264	28,541	28,927
% Change	-5.12%	-6.00%	-4.47%	-1.33%	0.43%
San Diego Trolley	37,639	39,614	40,082	39,695	29,699
% Change	-4.99%	-1.17%	0.97%	33.66%	-9.05%
MTS - Contracted Services	26,241	27,194	27,574	23,761	23,479
% Change	-3.51%	-1.38%	16.05%	1.20%	-1.27%

Source: NTD Report

**San Diego Metropolitan Transit System
Operating Subsidy
Last Ten Fiscal Years**

	2022	2021	2020	2019	2018
Average Fare per Rider					
San Diego Transit	\$ 1.13	\$ 1.68	\$ 1.07	\$ 0.98	\$ 1.01
San Diego Trolley	0.86	0.99	1.14	1.13	1.06
MTS - Contract Services	1.06	1.28	1.12	1.10	1.09
Operating Expense per Rider					
San Diego Transit	\$ 7.89	\$ 13.09	\$ 5.39	\$ 4.19	\$ 4.36
San Diego Trolley	3.60	4.88	2.91	2.18	2.37
MTS - Contract Services	6.91	8.10	4.39	3.54	3.27
Subsidy per Rider					
San Diego Transit	\$ 6.76	\$ 11.41	\$ 4.32	\$ 3.21	\$ 3.35
San Diego Trolley	2.74	3.88	1.76	1.05	1.31
MTS - Contract Services	5.85	6.83	3.27	2.44	2.18

Source: NTD report and audited financial statements

**San Diego Metropolitan Transit System
Operating Subsidy (Continued)
Last Ten Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Average Fare per Rider					
San Diego Transit	\$ 1.02	\$ 1.02	\$ 1.00	\$ 0.97	\$ 0.99
San Diego Trolley	1.04	1.04	1.03	1.01	1.20
MTS - Contract Services	1.12	1.13	1.06	1.10	1.13
Operating Expense per Rider					
San Diego Transit	\$ 3.90	\$ 3.73	\$ 3.38	\$ 3.21	\$ 3.41
San Diego Trolley	2.17	1.90	1.81	1.79	2.22
MTS - Contract Services	3.12	2.96	2.76	2.78	2.67
Subsidy per Rider					
San Diego Transit	\$ 2.88	\$ 2.71	\$ 2.38	\$ 2.24	\$ 2.42
San Diego Trolley	1.13	0.86	0.78	0.78	1.02
MTS - Contract Services	2.00	1.83	1.70	1.68	1.54

Source: NTD report and audited financial statements

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the San Diego Metropolitan Transit System ("MTS"), as of and for the years ended June 30, 2022 and June 30, 2021, and the related notes to the basic financial statements, which collectively comprise MTS's basic financial statements, and have issued our report thereon dated November 3, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MTS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MTS's internal control. Accordingly, we do not express an opinion on the effectiveness of MTS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MTS's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
of the San Diego Metropolitan Transit System
San Diego, California
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Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The PwC Group, LLP

San Diego, California
November 3, 2022