COUNTY OF PLACER

TRANSPORTATION DEVELOPMENT ACT FUNDS

Audited Financial Statements
and Compliance Report

Fiscal Year Ended June 30, 2023

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COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS
For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Placer
Auburn, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Transportation Development Act Funds (TDA Funds) of the County of Placer (the County), as of and for year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Funds' 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 TDA Funds as of June 30, 2023, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis-of-Matter

As discussed in Note 1, the financial statements present only the TDA Funds of the County and do not purport to, and do not, present fairly the financial position of the County as of June 30, 2023, the changes in financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standard*s, 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 the County'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.

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

Prior Year Comparative Information

We have previously audited the 2022 TDA Funds financial statements dated February 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2024 on our consideration of the County's internal control over financial reporting related to the TDA Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, including the Transportation Development Act. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Richardson & Company, LLP

February 12, 2024

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

As management of the Transportation Development Act (TDA) Funds of the County of Placer, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

- Total assets and deferred outflows of resources of the Transit Fund exceeded total liabilities and deferred inflows of resources at the close of fiscal year ended June 30, 2023, by $4,491,752 (net position).
- The Transit Fund's total net position increased approximately $1,093,757 during the fiscal year ended June 30, 2023, an increase of 32% in comparison with the prior year.
- The Transit Fund had total operating and nonoperating revenues of $7,885,142 and total operating expenses of $8,794,454 for the fiscal year ended June 30, 2023.
- As of June 30, 2023, the Transportation Fund reported an ending fund balance of $0.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the basic financial statements of TDA Funds. TDA Funds' basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to the basic financial statements.

Financial Statements. The *financial statements* are designed to provide readers with a broad overview of TDA Funds' finances. These statements provide long-term and short-term information about the TDA Funds' overall financial status. The TDA Funds report a governmental fund for the Transportation Fund and report an enterprise fund for the Transit Fund.

Governmental fund information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

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

The *statement of revenues, expenses, and changes in net position* presents information showing how the Transit Fund's 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The financial statements can be found on pages 10-14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the basic financial statements can be found on pages 15-32 of this report.

TDA Funds' Financial Analysis

The Transportation Fund is a portion of the County's Road Special Revenue Fund. As noted previously, the focus of the TDA Funds' governmental fund is on near-term inflows and outflows of spendable resources, as well as spendable resources available at the end of the year. Such information is useful in assessing the Transportation Fund's near-time financing requirements. The following table presents the balance sheet for the Transportation Fund:

Transportation Fund
Balance Sheet
As of June 30, 2023 and 2022

			Change	
	2023	**2022**	**Dollar**	**Percent**
Assets				
Due from other governments	$ -	$ 8,317	$ (8,317)	-100%
Fund Balance:				
Restricted	$ -	$ 8,317	$ (8,317)	-100%

The following table presents the changes in fund balance for the Transportation Fund:

Transportation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Years Ended June 30, 2023 and 2022

			Change	
	2023	**2022**	**Dollar**	**Percent**
Revenues				
Local Transportation Funds	$ 2,397,933	$ 2,225,000	$ 172,933	8%
Expenditures				
Streets and Roads	2,406,250	2,216,683	189,567	9%
Changes in fund balance	(8,317)	8,317	(16,634)	-200%
Fund balance, beginning of the year	8,317	-	8,317	NA
Fund balance, end of the year	$ -	$ 8,317	$ (8,317)	-100%

For the fiscal year ended June 30, 2023, the Transportation Fund reported an ending fund balance of $0, a decrease of $8,317 from the prior year. This was due to receipt of waived penalty paid in the prior fiscal years. The increase in total revenues and total expenditures was due to the increase in allocation of local transportation funds.

The following table presents the statement of net position for the Transit Fund:

Transit Fund
Condensed Statement of Net Position
As of June 30, 2023 and 2022

			Change	
	2023	**2022**	**Change**	**Percent**
Assets				
Current and other assets	$ 3,936,327	$ 4,074,056	$ (137,729)	-3%
Net OPEB asset	116,980	1,387,561	(1,270,581)	-92%
Capital assets, net	4,565,418	3,834,594	730,824	19%
Total assets	8,618,725	9,296,211	(677,486)	-7%
Deferred Outflows of Resources				
Deferred outflows related to pensions	1,394,877	761,226	633,651	83%
Deferred outflows related to OPEB	692,548	404,555	287,993	71%
Total deferred outflows of resources	2,087,425	1,165,781	921,644	79%
Liabilities				
Current and other liabilities	405,589	530,675	(125,086)	-24%
Long-term liabilities	5,208,814	3,848,067	1,360,747	35%
Total liabilities	5,614,403	4,378,742	1,235,661	28%
Deferred Inflows of Resources				
Deferred inflows related to pensions	39,070	1,036,970	(997,900)	-96%
Deferred inflows related to OPEB	560,925	1,648,285	(1,087,360)	-66%
Total deferred inflows of resources	599,995	2,685,255	(2,085,260)	
Net Position (Deficit)				
Investment in capital assets	4,565,418	3,834,594	730,824	19%
Restricted for capital projects	533,704	-	533,704	N/A
Unrestricted	(607,370)	(436,599)	(170,771)	39%
Total net position	$ 4,491,752	$ 3,397,995	$ 1,093,757	32%

For the fiscal year ended June 30, 2023, the Transit Fund reported an ending net position of $4,491,752, an increase of $1,093,757 or 32% from the prior year. This increase represents the amount of operating and nonoperating revenues and capital contributions in excess of total expenses for the fiscal year ended June 30, 2023, and was mainly due to capital contributions received in fiscal year ended 2023 for the purchase of two transit buses. The increase in investment in capital assets of $730,824 or 19% was mainly due to the acquisition of two transit buses offset by current year depreciation expense. The increase in restricted for capital projects of $533,704 was due to excess of capital funds received from the Placer County Transportation Planning Agency, which was not spent on capital assets in fiscal year ended 2023.

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The Net OPEB asset decreased by $1,270,581 or 92%, deferred outflows of resources related to OPEB increased by $287,993 or 71%, and deferred inflows of resources related to OPEB decreased by $1,087,360 or 66% compared to the prior fiscal year, which was mainly due to actuarial changes in assumptions, the net difference between projected and actual investment earnings, resulting from updated healthcare trend rates, updated claims costs and premiums, and lower than expected investment returns.

The increase in capital assets of $730,824 or 19% was mainly due to the acquisition of two transit buses offset by current year depreciation expense.

The Transit Fund's total current and other liabilities decreased by $125,086 or 24%. This decrease was mainly due to decreases in accounts payable and accrued salaries and benefits.

Long-term liabilities increased by $1,360,747 or 35% primarily due to an increase in net pension liability in the current fiscal year, which was mainly due to changes in inflation actuarial assumption and discount rate, and lower than expected investment returns.

Deferred outflows relating to pension increased by $633,651 or 83% and deferred inflows relating to pension decreased by $997,900 or 96%, which were due to the changes of assumptions and net difference between projected and actual earnings on pension plan investments for reason previously noted.

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

The following table presents the statement of changes in net position for the Transit Fund:

Transit Fund
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022

			Change	
	2023	**2022**	**Dollar**	**Percentage**
Revenues				
Operating revenues:				
Transit fares	$ 405,032	$ 380,806	$ 24,226	6%
Nonoperating Revenues:				
Local Transportation Fund	3,986,679	4,322,000	(335,321)	-8%
Federal operating grants	1,357,881	1,895,825	(537,944)	-28%
Contributions from other agencies	1,047,880	1,221,219	(173,339)	-14%
State Transit Assistance	850,000	958,287	(108,287)	-11%
State of Good Repair	161,929	150,529	11,400	8%
Other revenues	180,733	259,063	(78,330)	-30%
Interest and other	(16,546)	1,648	(18,194)	-1104%
Gain (loss) on disposal of capital assets	(88,446)	-	(88,446)	N/A
Total nonoperating revenue	7,480,110	8,808,571	(1,328,461)	-15%
Total revenues	7,885,142	9,189,377	(1,304,235)	-14%
Operating expenses:				
Salaries and benefits	3,164,884	2,600,748	564,136	22%
Depreciation	696,459	760,108	(63,649)	-8%
Other	4,933,111	4,969,992	(36,881)	-1%
Total expenses	8,794,454	8,330,848	463,606	6%
Income (loss) before capital contributions	(909,312)	858,529	(1,767,841)	-206%
Capital contributions	2,003,069	-	2,003,069	N/A
Change in net position	1,093,757	858,529	235,228	27%
Net position, beginning of year	3,397,995	2,539,466	858,529	34%
Net position, end of year	$ 4,491,752	$ 3,397,995	$ 1,093,757	32%

For the fiscal year ended June 30, 2023, total operating and nonoperating revenue decreased by $1,304,235 consisting of an increase in operating revenue of $24,226 or 6% offset by a decrease in nonoperating revenue of $1,328,461 or 15% from the prior fiscal year. The increase in operating revenue was primarily due to an increase in ridership from the prior year. The decrease in nonoperating revenue was primarily due to the decrease in sales and use tax apportionments, which fluctuates from year-to-year. In addition, the decrease was attributable to a portion of contributions from other agencies and state transit assistance was recorded as capital contributions in fiscal year ended 2023 due to the capital nature of the funds.

Total expenses increased by $463,606 from the prior fiscal year. This was mainly due to the increase in salaries and benefits of $564,136, resulting from compensation increases.

The increase in capital contributions of $2,003,069 was mainly due to capital fundings received for the purchase of two transit buses in fiscal year ended 2023.

Capital Assets

The Transit Fund's investment in capital assets as of June 30, 2023, amounted to $4,565,418 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, transit vehicles and equipment. The total increase in the Transit Fund's capital assets for the current period was $730,824 mainly due to the purchase of two new transit buses.

More information about the Transit Fund's capital assets is presented in Note 3 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of TDA Funds' finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Placer County Transit, 3091 County Center Drive, Suite 220, Auburn, CA 95603.

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Balance Sheet
Transportation Fund
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	2023	2022
Assets		
Due from other governments	$ -	$ 8,317
Total assets	$ -	$ 8,317
Fund Balance		
Restricted	$ -	$ 8,317
Total fund balance	$ -	$ 8,317

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Revenues, Expenditures and Changes in Fund Balance
Transportation Fund
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Revenues		
Local Transportation Funds	$ 2,397,933	$ 2,225,000
Total revenues	2,397,933	2,225,000
Expenditures		
Streets and roads	2,406,250	2,216,683
Total expenditures	2,406,250	2,216,683
Changes in Fund Balance	(8,317)	8,317
Fund balance, beginning of the year	8,317	-
Fund balance, end of the year	$ -	$ 8,317

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Net Position
Transit Fund
June 30, 2023
(With Comparative Totals as of June 30, 2022)

	2023	2022
Assets		
Current Assets:		
Cash and investments	$ 555,767	$ 494
Accounts receivable	94,424	140,793
Interest receivable	905	-
Due from other County fund	93,810	-
Due from other governments	3,191,421	3,932,769
Total current assets	3,936,327	4,074,056
Noncurrent Assets:		
Net OPEB asset	116,980	1,387,561
Non-depreciable capital assets	55,207	-
Capital assets, net of accumulated depreciation	4,510,211	3,834,594
Total noncurrent assets	4,682,398	5,222,155
Total assets	8,618,725	9,296,211
Deferred Outflows of Resources:		
Deferred outflows related to pensions	1,394,877	761,226
Deferred outflows related to OPEB	692,548	404,555
Total deferred outflows of resources	2,087,425	1,165,781
Liabilities		
Current Liabilities:		
Accounts payable	244,250	272,018
Accrued salaries and benefits	131,839	222,869
Due to other County fund	-	8,500
Compensated absences	29,500	27,288
Total current liabilities	405,589	530,675
Long-Term Liabilities:		
Compensated absences	265,504	245,594
Net pension liability	4,943,310	3,602,473
Total long-term liabilities	5,208,814	3,848,067
Total liabilities	5,614,403	4,378,742
Deferred Inflows of Resources:		
Deferred inflows related to pensions	39,070	1,036,970
Deferred inflows related to OPEB	560,925	1,648,285
Total deferred inflows of resources	599,995	2,685,255
Net Position (Deficit):		
Investment in capital assets	4,565,418	3,834,594
Restricted for capital projects	533,704	-
Unrestricted	(607,370)	(436,599)
Total net position	$ 4,491,752	$ 3,397,995

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Revenues, Expenses and Changes in Net Position
Transit Fund
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Operating Revenues:		
Passenger fares	$ 210,855	$ 187,300
Van pool fares	9,240	11,930
Other special contract transit fares	184,937	181,576
Total operating revenues	405,032	380,806
Operating Expenses:		
Salaries and benefits	3,164,884	2,600,748
Professional services	2,515,461	2,446,977
Maintenance	839,976	973,414
Fuels and lubricants	477,888	430,159
Insurance	343,685	305,872
Administration and overhead	756,101	813,570
Depreciation	696,459	760,108
Total operating expenses	8,794,454	8,330,848
Operating Loss	(8,389,422)	(7,950,042)
Nonoperating Revenues (Expenses):		
Local Transportation Fund	3,986,679	4,322,000
Federal operating grants	1,357,881	1,895,825
Contributions from other agencies	1,047,880	1,221,219
State Transit Assistance	850,000	958,287
State of Good Repair	161,929	150,529
Other revenues	180,733	259,063
Investment income (loss)	(16,546)	1,648
Gain (loss) on disposal of capital assets	(88,446)	-
Total nonoperating revenues	7,480,110	8,808,571
Income (loss) before contributions	(909,312)	858,529
Capital contributions	2,003,069	-
Change in Net Position	1,093,757	858,529
Net position, beginning of year	3,397,995	2,539,466
Net position, end of year	$ 4,491,752	$ 3,397,995

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

COUNTY OF PLACER
TRANSPORTATION DEVELOPMENT ACT FUNDS

Statement of Cash Flows
Transit Fund
For the Fiscal Year Ended June 30, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

	2023	2022
Cash Flows from Operating Activities:		
Cash receipts from customers	$ 451,401	$ 405,626
Cash paid to employees	(3,629,279)	(3,120,093)
Cash paid to suppliers for goods and services	(4,960,879)	(4,958,261)
Net cash used for operating activities	(8,138,757)	(7,672,728)
Cash Flows from Noncapital Financing Activities:		
Operating grants and other revenue	8,232,640	7,659,977
Repayment of short-term borrowings/(repayments)	(8,500)	(107,339)
Net cash provided by noncapital financing activities	8,224,140	7,552,638
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(1,517,731)	-
Proceeds from sale of capital assets	2,003	-
Capital contributions received	2,003,069	-
Net cash provided by capital and related financing activities	487,341	-
Cash Flows from Investing Activities:		
Interest received (paid)	(17,451)	1,699
Net cash provided by (used for) investing activities	(17,451)	1,699
Net Increase (Decrease) in Cash and Cash Equivalents	555,273	(118,391)
Cash and Cash Equivalents - Beginning of Year	494	118,885
Cash and Cash Equivalents - End of Year	$ 555,767	494
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating (loss)	$ (8,389,422)	$ (7,950,042)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	696,459	760,108
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	46,369	24,821
(Increase) decrease in net OPEB asset	1,270,581	(1,387,561)
(Increase) decrease in deferred outflows related to pensions and OPEB	(921,644)	380,848
Increase (decrease) in accounts payable	(27,769)	11,730
Increase (decrease) in accrued salaries and benefits	(91,030)	29,174
Increase in compensated absences payable	22,122	23,154
Increase (decrease) in deferred inflows related to pensions and OPEB	(2,085,260)	1,866,732
Increase (decrease) in net pension liability	1,340,837	(1,358,692)
Increase (decrease) in net OPEB liability	-	(73,000)
Net cash used for operating activities	$ (8,138,757)	$ (7,672,728)

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

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1: Summary of Significant Accounting Policies

The financial statements of the Transportation Development Act (TDA) Funds allocated to the County of Placer (the County) have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County's accounting policies are described below.

Description of Reporting Entity

The County annually receives allocations from the Placer County Transportation Planning Agency (PCTPA) to operate public transit services and to fund street and road, and pedestrian and bicycle infrastructure improvements.

The financial statements present only the TDA Funds allocated to the County of Placer and do not purport to, and do not, present fairly the financial position of the County of Placer as of June 30, 2023, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation/Accounting

The County uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for using the *current financial resources* measurement focus which means that only *current assets* and *current liabilities* are generally included on their balance sheets. Their reported fund balance is their net current assets, which is considered only to be a measure of *available spendable resources.* Governmental fund operating statements present a summary of sources and uses of available spendable resources during a period by presenting increases and decreases in net current assets.

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All governmental funds are accounted for using the *modified accrual basis* of accounting. These fund revenues are recognized when they become measurable *and* available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts that could not be measured or were not available were not accrued as revenue in the current fiscal year. Revenue susceptible to accrual includes sales taxes, intergovernmental grants, interest revenue, and charges for services.

The TDA Funds report a special revenue fund of the governmental fund type for the Transportation and Pedestrian/Bike funds which are part of the County's Road Special Revenue Fund.

Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private businesses or where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Transit Fund distinguishes operating from non-operating revenues and expenses. Operating revenues and expenses generally result from provided services in connection with the Transit Fund's principal ongoing operations. The principal operating revenue of the Transit Fund is passenger fares. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The TDA Funds report an enterprise fund for the Transit Fund which is part of the County's enterprise Transit fund.

Cash and Cash Equivalents

Cash and cash equivalents represent the TDA Funds' share in the County Treasurer's cash and investment pool.

Capital Assets

The TDA Funds follows the County's capitalization policy. Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which ranges from ten to fifty years for buildings and improvements and two to twenty-five years for equipment. The County's capitalization policy is to capitalize asset acquisitions with an individual cost greater than $5,000 for equipment and vehicles and $100,000 for building and improvements and infrastructure.

Due from Other Governments

These amounts represent receivables from federal, state, and other local governments.

Note 1: Summary of Significant Accounting Policies (Continued)

Compensated Absences

The County reports liability for compensated absences attributable to services already rendered as of June 30, 2023, and which are not contingent on a specific event that is outside the control of the County, such as employee illness. This liability is based on the probability that the County will eventually compensate the employees for the benefits through paid time off or some other means, such as annual leave cash-outs, payment of future health insurance premiums, or cash payments at termination or retirement. The liability is calculated based on pay rates in effect as of June 30, 2023, in addition to those salary-related payments that are directly and incrementally associated with payments made for compensated absences on termination, such as Social Security and Medicare taxes. Refer to the County's Annual Comprehensive Financial Report (ACFR) for additional details.

All regular employees of the County earn paid vacation hours. The amount of vacation hours earned is based on the years of continuous service and the various conditions negotiated by the bargaining unit to which the employee belongs. Except for management employees, no more than 400 hours, or 520 hours after 10 continuous years of service, may be accumulated as of the last day of the first full pay period of each calendar year. Management employees can accumulate up to 520 hours. Upon termination, employees are entitled to a lump sum payment for accrued vacation and compensatory time off.

All regular employees are given credit for eight hours of sick leave during each month of employment with accumulation limits based on contract term with each bargaining unit. Unless otherwise stated below, upon termination of employment, for employees working 40 hours per week, no pay shall be given for the first 24 days of sick leave in the employee's account. The remaining sick leave shall be paid at the rate of 50% of the hourly pay rate of the employee at the time of termination. No employees shall receive more than two thousand dollars for such unused sick leave.

Each bargaining unit will be entitled to use sick leave balances upon retirement as summarized below:

- *Placer Public Employees Organization General Unit (PPEO)* – On May 24, 2011, the Board of Supervisors approved the following change effective July 2, 2011: upon retirement, the first 1,500 unused sick leave hours will be set aside for payment of retiree's share of health insurance premiums not to exceed 8 hours per month; any hours in excess of 1,500 are converted to CalPERS Service Credit. Effective June 9, 2018 employees with balances in excess of 1,000 hours will no longer accrue sick leave hours until their balance falls below 1,000 hours.

- *Management and Confidential Employees* – Guidelines for use of sick leave at termination are the same as described above for PPEO represented employees. However, on May 24, 2011, the Board of Supervisors approved the following change: upon retirement, Management and Confidential employees will have 100% of unused sick leave hours set aside for payment of retiree's share of health insurance premiums. There is no sick leave cap for this group.

Nonoperating Revenue

Nonoperating revenues include receipts from Local Transportation Funds (LTF), Federal operating assistance, contributions from other agencies, State Transit Assistance (STA), and State of Good Repair (SGR). These revenues are recorded when all eligibility requirements imposed by the provider have been met. STA and LTF are received from the Transportation Development Act (TDA) of 1971. STA revenues

Note 1: Summary of Significant Accounting Policies (Continued)

are derived from the statewide sales tax on diesel fuel. LTF revenues are derived from a ¼ cent of the general sales tax collected statewide. SGR revenues are derived from the Road Repair and Accountability Act of 2017 from a Transportation Improvement Fee on vehicle registrations. Annual allocations of these revenues are determined and remitted to the Transit Fund by the Placer County Transportation Planning Agency.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an expense/expenditure until then. The Transit Fund reports deferred outflows of resources related to the proportionate share of the County's pension and OPEB (other postemployment benefits) plans.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element is an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Transit Fund reports deferred inflows of resources related to the proportionate share of the County's pension and OPEB plans.

Pension Plan

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

Other Postemployment Benefits (OPEB)

For purposes of measuring the Transit Fund's proportionate share of the County's net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense (credit), information about the fiduciary net position of the County's OPEB Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, the OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net Position / Fund Balance

The Transit Fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Investment in capital assets – consists of all of the Transit Fund's capital assets, net of accumulated depreciation, less any debt and other capital account payables used to acquire those assets.

Note 1: Summary of Significant Accounting Policies (Continued)

Restricted – consists of restricted assets reduced by liabilities related to those assets. This category represents external restrictions imposed by grantors, contributors, law or regulations of other governments.

Unrestricted – represents resources that do not meet the definition of net investment in capital assets or restricted and can be used to meet the Transit Fund's ongoing commitments and obligations.

The Transportation Fund reports fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Transportation Fund is bound to honor constraints on how specific amounts can be spent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

The TDA Funds categorize the fair value measurements of investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The TDA Funds do not have any investments that are measured using Level 3 inputs.

The TDA Funds are a participant in the Placer County Treasurer's Pool (County Pool). The County Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The Placer County Treasurer's Review Panel conducts County Pool oversight. Cash on deposit in the County Pool as of June 30, 2023, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County's ACFR.

Reclassifications

Certain reclassifications have been made to the prior year comparative information as of and for the fiscal year ended June 30, 2022, to conform to the presentation as of and for the fiscal year ended June 30, 2023.

Comparative Totals

The TDA Funds' financial statements include prior year comparative information, which should be read in conjunction with the TDA Funds' financial statements for the fiscal year ended June 30, 2022, from which the information was derived.

Note 2: Cash and Investments

The TDA Funds maintain specific cash deposits with the County and involuntarily participate in the County's external investment pool. The County is restricted by state code in the types of investments it can purchase. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity, type of investment, and maximum investment in one issuer. The County has a Treasury Review Panel, which performs regulatory oversight for its pool pursuant to the County investment policy.

Note 2: Cash and Investments (Continued)

The County's investment policy authorizes the County Treasurer to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, negotiable certificates of deposit, local agency bonds, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, corporate notes, collateralized certificates of deposit, California Local Agency Investment Fund, CDARS certificates of deposit, supranationals Washington dollar denominated IBRD, IFC, or IAD, and California Asset Management Program.

As of June 30, 2023, the TDA Funds' investment in the County Treasurer's pool is stated at fair value. However, the value of the pool shares in the County's investment pool, which may be withdrawn at anytime, is determined on an amortized cost basis, which is different than the fair value of the TDA Funds' position in the pool.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2023 was 450 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's external investment pool is not rated.

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the TDA Funds will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the TDA Funds' investment in a single issuer. The TDA Funds are not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's ACFR and may be obtained by contacting the County Auditor-Controller's Office at 2970 Richardson Drive, Auburn, California 95603 or online at www.placer.ca.gov.

GASB Statement No. 40, Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3, requires additional disclosures about a government's deposit and investment risks. The TDA Funds do not have a separate investment policy, or any other policies that address these specific types of risk.

Fair Value Measurement

Deposits and withdrawals from the County Pool are made on the basis of $1 and not fair value. Accordingly, the TDA Funds' proportionate share of investments in the County Pool as of June 30, 2023 of $555,767 was an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 3: Capital Assets

A summary of changes in capital assets in the Transit Fund during the fiscal year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 55,207	$ -	$ 55,207
Capital assets, being depreciated:				
Buildings and improvements	2,233,062	-	(142,813)	2,090,249
Transit vehicles and equipment	10,602,581	1,462,524	(359,810)	11,705,295
Total capital assets, being depreciated	12,835,643	1,462,524	(502,623)	13,795,544
Less accumulated depreciation for:				
Buildings and improvements	(2,109,289)	(3,363)	52,365	(2,060,287)
Transit vehicles and equipment	(6,891,760)	(693,096)	359,810	(7,225,046)
Total accumulated depreciation	(9,001,049)	(696,459)	412,175	(9,285,333)
Total capital assets, being depreciated, net	3,834,594	766,065	(90,448)	4,510,211
Total capital assets, net	$ 3,834,594	$ 821,272	$ (90,448)	$ 4,565,418

Note 4: Compensated Absences

The following is a summary of activity for compensated absences for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
Compensated Absences	$ 272,882	$ 397,202	$ (375,080)	$ 295,004	$ 29,500

Note 5: Employees' Retirement Plan

Plan Description

The Transit Fund contributes to the County's California Public Employees Retirement System (CalPERS) Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions under the plan are established by state statute and county resolution. CalPERS issues a publicly available financial report that includes a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Note 5: Employees' Retirement Plan (Continued)

All full and part-time permanent Transit Fund employees and certain extra help employees who have worked over 1,000 hours in a fiscal year are eligible to participate in the County's Miscellaneous Plan with CalPERS. Elected officials may also participate at their option. Per diem employees and extra help employees working less than 1,000 hours in a fiscal year are not eligible. Benefits vest after five years of service. To be eligible for retirement, an employee must be at least 50 years of age and have five years of CalPERS credited service. Effective January 1, 2013, new CalPERS members are subject to the Public Employees' Pension Reform Act (PEPRA) and to be eligible for retirement, an employee must be at least 52 years of age and have five years of CalPERS credited service.

All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The basic death benefit, the 1957 survivor benefit, or the optional settlement 2W death benefit. Cost of living adjustments for each plan are applied as specified by the California Public Employees' Retirement Law (PERL).

For financial reporting purposes, the Transit Fund reports a proportionate share of the County's collective net pension liability, pension expense, and deferred inflows and deferred outflows of resources. Accordingly, the disclosures have been reported for the Transit Fund as a cost-sharing pension plan.

<u>Benefits Provided</u>

The Plan's provisions and benefits in effect as of June 30, 2023, are summarized as follows:

	Tier 1	**Tier 2**	**Tier 3**
	Miscellaneous		
	Hired on or before March 12, 2011	**Hired on or after March 13, 2011**	**Hired on or after Jan. 1, 2013**
Benefit formula	2.5% @ 55	2% @ 55	2% @ 62
Minimum service years to vest	5	5	5
Benefit payments	monthly for life	monthly for life	montly for life
Earliest allowable retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2.0% - 2.5%	1.43% - 2.42%	1.0% - 2.50%

The Placer Public Employee Organization's represented employees, the majority of the county's workforce, pay 100% of their employee contribution ranging from 7% to 8% for Miscellaneous Plan members. For Management and Confidential employees, the County pays 6% to 7% of the 8% employee contribution. Management and Confidential employees hired on or after March 13, 2011 pay 100% of their employee contribution. For Unclassified Nonmanagement employees, the County pays 6% of the 8% Miscellaneous Plan employee contribution. Unclassified Nonmanagement employees hired on or after March 13, 2011 pay 100% of their employee contribution.

Note 5: Employees' Retirement Plan (Continued)

Contributions

Section 20814(c) of the 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 July 1 following notice of a change in the rate. Funding contributions are determined through CalPERS' annual actuarial valuation process. 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. The Transit Fund is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the fiscal year ended June 30, 2023, the average active employee contribution rate was 7.36% of annual pay, and the employer's contribution rate was 9.74%. Employer contribution rates may change if plan contracts are amended. The Transit Fund's contributions to the County's Miscellaneous Plan totaled $602,940 for the fiscal year ended June 30, 2023.

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Transit Fund reported a net pension liability of $4,943,310 for its proportionate share of the County's Miscellaneous Plan's net pension liability. The Transit Fund'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, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022. The Transit Fund's proportionate share of the County's Miscellaneous Plan's net pension liability as of June 30, 2023, was 0.8598%, which represented a decrease of 0.0976% compared to the June 30, 2022, proportionate share.

For the year ended June 30, 2023, the Transit Fund recognized pension expense of $652,819. As of June 30, 2023, the Transit Fund reported deferred outflows and deferred inflows of resources related to pension for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 602,940	$ -
Changes of assumptions	301,897	-
Differences between expected and actual experience	42,647	(39,070)
Net differences between projected and actual earnings on pension plan investments	447,393	-
Total	$ 1,394,877	$ (39,070)

Note 5: Employees' Retirement Plan (Continued)

The amount of $602,940 reported as deferred outflows of resources related to pensions, resulting from the Transit Fund's contributions to the County's Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as a reduction to pension expense over five years for the net differences between projected and actual earnings on pension plan investments and over the expected average remaining service lifetime of employees of 3.4 years for the remaining items as of June 30, 2023 as follows:

Years ending June 30	Amount
2024	$ 213,511
2025	180,078
2026	73,737
2027	285,541
Total	$ 752,867

Actuarial Assumptions

The total pension liability was determined based on the June 30, 2021, actuarial valuation using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost method
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.30%
Projected salary increase	Varies by entry age and service
Mortality (1)	Derived using CalPERS' membership data for all funds
Post-retirement benefit increase	The lesser of contract COLA or 2.30% until purchasing power protection allowance floor, 2.30% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre- retirement and post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Changes of Assumptions

The discount rate decreased from 7.15% in fiscal year ended 2022 to 6.90% in fiscal year ended 2023, and the inflation actuarial assumption decreased from 2.50% to 2.30% in the same periods.

Note 5: Employees' Retirement Plan (Continued)

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

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

Asset Class [1]	Assumed Asset Allocation	Real Return [1] [2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-cap weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100.0%	

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-2022 Asset Liability Management study.

Discount Rate

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

Note 5: Employees' Retirement Plan (Continued)

Sensitivity of the Transit Fund's Proportionate Share of the County's Miscellaneous Plan Net Pension Liability to Changes in Discount Rate

The following presents the Transit Fund's proportionate share of the County's net pension liability, calculated using the discount rate of 6.90%, as well as what the Transit Fund's proportionate share of the County's net pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Net Pension Liability	$ 6,730,016	$ 4,943,310	$ 3,459,900

Pension Plan Fiduciary Net Position

Detailed information about the County's collective net pension liability is available in the County's separately issued ACFR. The County's ACFR may be obtained by contacting the Placer County Auditor-Controller's Office at 2970 Richardson Drive, Auburn, California 95603. Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 6: Other Postemployment Benefits

Plan Description

The Transit Fund contributes to the postretirement healthcare benefits provided by the County to its retirees under its Retiree Healthcare Plan in accordance with various labor agreements. The County contributes to the California Employers' Retiree Benefit Trust (CERBT), an agent multiple employer plan administered by CalPERS. CalPERS issues a publicly available ACFR that includes financial statements and required supplementary information. Copies of CalPERS' ACFR may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

For financial reporting purposes, the Transit Fund reports a proportionate share of the County's net OPEB asset, OPEB expense, and deferred outflows and deferred inflows of resources. Accordingly, the disclosures and RSI have been reported for the Transit Fund as a cost-sharing OPEB plan.

Benefits Provided

In accordance with California Government Code, all employees electing a CalPERS retirement date within 120 days of retiring from the County are eligible to receive healthcare benefits for life. The County provides postretirement medical and dental benefits to employees who retire after the age of 50 and with five years of service and ten years of CalPERS service if hired after January 1, 2005. Eligible retirees can continue participation in the medical and dental plans, with the Transit Fund contributing up to a cap, which varies by bargaining unit.

Note 6: Other Postemployment Benefits (Continued)

Contributions

The County Board of Supervisors is granted the authority to establish and amend contribution requirements of the County, employees, and retirees. The Board establishes rates based on an actuarially determined rate based on annual actuarial valuation reports. For the fiscal year ended June 30, 2023, the annual required contribution rate was $3,067 per employee (excluding extra help) and to prefund as determined annually through the County budget process. The Transit Fund's contribution to the Plan net of disbursements from the Plan for fiscal year ended June 30, 2023 was $82,346.

OPEB Liability, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of June 30, 2023, the Transit Fund reported a net OPEB asset of $116,980 for its proportionate share of the County's net OPEB asset. The net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The Transit Fund's proportion of the net OPEB asset was based on the number of full-time equivalents of eligible employees employed by the Transit Fund in relation to the total number of eligible employees as of the measurement date. The Transit Fund's proportionate share of the County's net OPEB asset was 1.0010% as of June 30, 2023, which represented a decrease of .1618% compared to the June 30, 2022, proportionate share.

For the fiscal year ended June 30, 2023, the Transit Fund recognized an OPEB credit of $42,341. As of June 30, 2023, the Transit Fund reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 82,346	$ -
Differences between expected and actual experience	103,038	(308,888)
Changes of assumptions	115,301	(252,037)
Net differences between projected and actual earnings on OPEB plan investments	391,863	-
Total	$ 692,548	$ (560,925)

Note 6: Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/(asset) in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in future OPEB expense over five years for the net differences between projected and actual earnings on OPEB plan investments and over the expected average remaining service lifetime of employees of 5.76 years for the remaining items as of June 30, 2023 as follows:

Years ending June 30	Amount
2024	$ (74,991)
2025	(16,170)
2026	(49,735)
2027	178,908
2028	11,265
	$ 49,277

Actuarial Assumptions

The Transit Fund's net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2022.

Valuation date (census)	June 30, 2022
Measurement date (assets and liabilities)	June 30, 2022
Contribution policy	Pre-funded through CERBT asset allocation Strategy 1.
Actuarial assumptions:	
Discount rate	6.80%
Inflation	2.50%
Mortality	Based on assumptions for Public Agency Miscellaneous and Police members published in the 2021 CalPERS Experience Study. These tables include generational mortality improvement using 80% of scale MP-2020.
Healthcare cost trend rate	6.8% for fiscal year 2023, gradually decreasing over several decades to an ultimate rate of 3.9% in 2076 and later fiscal years.

Changes of Assumptions

The inflation actuarial assumption increased from 2.25% in fiscal year ended 2022 to 2.50% in fiscal year ended 2023.

Note 6: Other Postemployment Benefits (Continued)

The CERBT enables employers to pre-fund liabilities for OPEB. Three diversified policy portfolios (Strategy 1, 2, and 3) are available for employers to select depending on employer preferences for return and risk (volatility) expectations. By comparison, Strategy 1 has the higher long-term expected rate of return and return volatility, Strategy 2 has a moderate long-term expected rate of return and return volatility, and Strategy 3 has the lower long-term expected rate of return and return volatility. The following table summarizes the assumed asset allocation of the County's OPEB plan in the CERBT Strategy 1:

Asset Class	Target Allocation
Global Equity	49.0%
Fixed Income	23.0%
Treasury Inflation-Protected Securities	5.0%
Real Estate Investment Trusts	20.0%
Commodities	3.0%
Total	100.0%

Discount Rate Development

The discount rate used to measure the total OPEB liability was 6.80%. GASB 75 requires that the liability discount rate be the single rate that reflects the following:

a. The long-term expected rate of return on OPEB plan investments used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return; and

b. A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in item a are not met.

GASB 75 has very specific rules regarding the projection of benefit payments, contributions, and Fiduciary Net Position used to determine the discount rate. Regardless of an employer's actual funding policy, the valuation assumes that (1) benefits are paid out of the OPEB trust until assets are depleted, and (2) projected employer contributions are first applied to employee service costs in each period (including future employees) before paying for current accrued benefit costs.

The liability discount rate was developed using the alternative method described in paragraph 39 of GASB 75, which states that "if the evaluations required by paragraph 37 can be made with sufficient reliability without a separate projection of cash flows into and out of the OPEB plan, alternative methods may be applied in making the evaluations."

The County has an established policy to fully-fund the OPEB liability over a fixed period of time (7 years remaining as of the last funding valuation report). Based on these parameters and GASB 75 guidelines, the future plan assets are projected to be sufficient to pay all future benefits. Therefore, the discount rate is equal to the long-term expected investment return assumption.

Note 6: Other Postemployment Benefits (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table presents the Transit Fund's proportionate share of the County's net OPEB asset, as well as what the Transit Fund's proportionate share of the County's net OPEB asset would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.80%)	Discount Rate (6.80%)	1% Increase (7.80%)
Net OPEB Liabilty (Asset)	$ 377,322	$ (116,980)	$ (532,949)

The following table presents the Transit Fund's proportionate share of the County's net OPEB asset as well as what the Transit Fund's proportionate share of the County's net OPEB asset would be if it was calculated using healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.80%)	Current Trend Rate (6.80%)	1% Increase (7.80%)
Net OPEB Liabilty (Asset)	$ (589,589)	$ (116,980)	$ 456,441

OPEB Plan Fiduciary Net Position

Detailed information about the County's collective net OPEB asset is available in the County's separate issued ACFR. The County's ACFR may be obtained by contacting the Placer County Auditor-Controller's Office at 2970 Richardson Drive, Auburn, California 95603.

Note 7: Risk Management

The Transit Fund is self-insured for public liability and property damage up to $250 thousand per occurrence. Claims in excess of $250 thousand are covered through the California Transit Systems Joint Powers Authority (dba California Transit Indemnity Pool (CalTIP)), a joint powers agency risk sharing pool, established in 1987 to provide an independently managed self-insurance program for member transit operators. The purpose of CalTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense. Claims in excess of the pool limit are covered by excess reinsurance/insurance purchased by CalTIP up to $10 million per occurrence for general liability as of June 30, 2023, and replacement cost per occurrence for vehicle physical damage as of June 30, 2023. The Transit Fund has not settled any County claims exceeding the risk-pool limit of $10 million per occurrence for any of the past five fiscal years. The Transit Fund has the following forms of coverage through CalTIP: bodily injury liability, property damage liability; public officials' error and omissions liability; personal injury liability and collision and comprehensive coverage. The County has physical damage coverage for its transit vehicles up to replacement cost per occurrence after a $5 thousand deductible. Liability coverage, up to $10 million per occurrence, is available after a self- insured retention (SIR) of $250 thousand.

Note 8: Fare Revenue Ratio

The TDA Funds are required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of at least 12.94%. The calculation of the fare revenue ratio for the fiscal year ended June 30, 2023, is as follows:

Fare revenues	$	405,032
Federal operating grants		1,357,881
Local Funds		1,167,206
Total fares	$	2,930,119
Operating expenses	$	8,794,454
Less: Depreciation		(696,459)
Other exclusions		(223,403)
Total	$	7,874,592
Fare revenue ratio		37.21%

The TDA Funds met the minimum required fare revenue ratio during the fiscal years ended June 30, 2023. Assembly Bill No. 90 (AB 90), signed into legislation on June 29, 2020, was enacted in response to the COVID-19 pandemic's impact on transit operators to hold them harmless for significant decreases in ridership and fare revenues. AB 90 prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the years ended June 30, 2020 and 2019. AB 149, signed into legislation July 16, 2021, extended the period for which no penalty will apply through the year ended June 20, 2023. No penalties will be applied for the failure to meet the minimum required fare revenue ratio during these fiscal years.

Note 9: Local Transportation Fund Eligibility

The Local Transportation Fund (LTF) allocates monies to the transit system to support operations. The TDA Funds are only eligible to receive allocations sufficient to cover operating expenses, less certain adjustments as described below. Allocations in excess of this amount are recorded as restricted net position.

Note 9: Local Transportation Fund Eligibility (Continued)

As of June 30, 2023, eligibility in the TDA Funds were determined as follows:

LTF Allocations - June 30, 2023 :

	Operating
LTF Allocations:	$ 3,986,679
Less amount applied to capital expenditures	-
LTF Allocation available for operating expenditures	$ 3,986,679
Maximum Eligibility:	
Operating expenses	8,794,454
Adjustments:	
Depreciation	(696,459)
Fare revenues	(405,032)
Federal operating grants	(1,357,881)
Contributions from other agencies	(1,047,880)
State Transit Assistance	(850,000)
State of Good Repair	(161,929)
Interest expense (revenue)	16,546
Other revenue	(180,733)
Maximum Eligibility	4,111,086
Current year LTF allocation in excess of eligibility	(124,407)
Beginning balance, July 1, 2022	(485,483)
Net expense under maximum eligiblity	$ (609,890)

Note 10: Contingencies

Grant Contingencies
The Transit Fund has received Federal and State grant funding for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The County believes such expense disallowance, if any, would be immaterial.

Innovative Clean Transit Regulation
The State of California Air Resources Board (the Board) adopted an Innovative Clean Transit Regulation (Regulation) in December of 2018, which requires all public transit agencies to transition to zero emission buses (ZEB) for all covered buses with a gross vehicle weight rating greater than 14,000 lbs. no later than 2040. All covered bus purchases must be ZEB by 2029 under the Regulation. All transit agencies must submit a ZEB Rollout Plan to the Board by July 1, 2023, indicating how it will transition to the new Regulation by 2040. The County approved a contract with a consultant to conduct a Zero Emissions Bus Feasibility Study and Transition Plan for the Transit Fund to address this requirement.

COVID-19
The COVID-19 pandemic State of Emergency ended during fiscal year 2022-2023. However, ridership and fare revenue continue to suffer. While bus ridership increased by 16% over the previous year, it is still only about 57% of what it was in fiscal year 2018-2019 – the last full fiscal year before the COVID-19 pandemic. At this point, the full extent to which COVID-19 may impact transit travel demand is unknown.

OTHER REPORTS

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INDEPENDENT AUDITOR'S 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*, THE TRANSPORTATION DEVELOPMENT ACT AND OTHER STATE PROGRAM GUIDELINES

To the Board of Supervisors
County of Placer
Auburn, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Transportation Development Act Funds (TDA Funds) of the County of Placer (the County), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the TDA Funds' basic financial statements and have issued our report thereon dated February 12, 2024.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the County were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6666 and 6667 of the California Code of Regulations. 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 performing our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards* or the TDA.

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the TDA in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

February 12, 2024