County Connection

INTER OFFICE MEMO

To: Administration & Finance Committee **Date:** 01/26/2022

From: Amber Johnson, Chief Financial Officer **Reviewed by:** W.C.

SUBJECT: Fiscal Year 2021 Financial Audit

Background:

The County Connection (Authority) financial audit for fiscal year (FY) 2021 has been completed and the Basic Financial Statements (BFS) are enclosed for your review (Attachment 1).

Summary of Report:

An independent audit was performed by Brown Armstrong, Accountancy Corporation. The goal of a financial statement audit is to provide users with a reasonable assurance from an independent source that the information presented in the statements is reliable. The findings are summarized as follows:

- The type of auditor's report is unmodified (BFS Page 2, 54).
- One material weakness was identified related to a schedule of federal awards (BFS Page 54 and summary below).
- A deficiency was identified related to our inventory review (BFS Page 54 and summary below).

The Basic Financial Statements (BFS) includes the Management's Discussion and Analysis (Page 4 of BFS) which provides an introduction and summary of the activities over the course of the year. The Statement of Net Position is $29,168,596 (Page 10 of BFS) a decrease of $7,667,166. The following is a summary of the changes in Net Position between June 30, 2021, and June 30, 2020:

- Fares and Operating Assistance – Passenger revenue and special transit fares decreased by about $3 million from FY 2020 to FY 2021, as the authority continued its pause on fare revenue collection through October 2020 as a COVID-19 safety measure, along with reduced and/or discontinued routes through the remainder of the fiscal year. Federal operating assistance decreased by about $6 million, due mostly to a reduced CARES Act claim in FY 2021 compared to FY 2020. These decreases were mostly offset by use of TDA revenue, which increased by $7.6 million.

- Capital Assets – Capital Assets decreased $6.8 million to $41 million due to the depreciation on buses that were purchased in the previous years. The Authority did not have any major capital purchases in FY 2021.

- Deferred Outflow of Resources – Deferred outflow of resources for pension and OPEB remained stable at a total of $3.7 million in FY 2021 and FY 2020. Deferred outflow represents future pension contributions to CalPERS for years in which it did not meet its discount rate.

- Deferred Inflow of Resources – The amount decreased from $3.6 million to $2.2 million which represents changes in estimates based on actual investment performance, and changes in assumptions that provide additional assets to the pension and retiree medical plans. Deferred inflow of resources for pension and OPEB is $193 thousand and $2 million, respectively.

- Due to Other Government, TDA payable – The amount decreased slightly from $14.3 million to $13.9 million (Note 13). The Authority's eligible TDA expenses were significantly higher in FY 2021 as compared to FY 2020, however, the total TDA advance was also much larger in FY 2021. This resulted in the unused portion of TDA (the amount payable) to remain stable.

- Net pension and OPEB liability – The net pension liability and retiree medical as of June 30, 2020 (the measurement date) are $12 million and $3 million respectively.

Audit Findings:

The auditors identified a deficiency considered to be a material weakness while reviewing the Authority's Schedule of Federal Awards (SEFA). They noted that the initial preparation of the SEFA did not include all of the expenditures for the period ending June 30, 2021. Once the Authority was made aware of the omission, the SEFA was properly updated, and the deficiency was resolved. Staff has modified its procedures around the SEFA preparation to ensure this situation does not occur again in the future.

The auditors also identified a deficiency not considered to be a material weakness while reviewing the Authority's inventory process. They noted data input errors and obsolete inventory were not being removed from the inventory system. Staff did make significant progress on this issue after it was raised by the auditors last year, with additional procedures implemented to remove obsolete inventory, and corrections made to the way inventory is recorded in the Pricebook at time of purchase and time of usage. Staff will continue to work to improve procedures and ensure that staff who perform inventory counts are following the procedures closely.

Other Information:

Page 48-50 of the BFS – Independent Auditor's Report on State Compliance regarding testing for compliance with TDA laws and internal control based on standards contained in Government Auditing Standards issued by the Comptroller General of the United States. The results of the tests disclosed no instances of noncompliance or material weaknesses.

Page 53 of the BFS – This is the third year for the Schedule of Revenues, Expenses and Changes in Net Changes which provides 10 years of revenues, expenses and net position. Staff will be considering additional schedules in the future to provide the readers useful information.

Page 54-55 of the BFS – Schedule of Findings and Questioned Costs from the auditor regarding the compliance with the requirements of the Office of Management and Budget (OMB) Circular A-133. There are no audit findings that are required to be reported to the OMB. The auditors did disclose two deficiencies on the SEFA preparation and inventory review that staff concurs with and is currently addressing.

Other Letters:

- Letter to the Administration and Finance Committee regarding the responsibilities of the auditor and the scope and timing of the audit (SAS 114 Letter - Attachment 2)

- Letter to the Administration and Finance Committee reviewing TDA and STA revenue, diesel fuel and PERS benefits. The auditor found that population-based STA decreased by $1 million. No other findings were noted. (Attachment 3)

Financial Implications:

No fiscal impact occurs as a result of the Committee's acceptance of these reports. The FY 2021 Basic Financial Statements and related reports are presented as the actual results of the Authority's financial activities for the year.

Recommendation:

Staff recommends that the A&F Committee approve the FY 2021 audit report prepared by Brown Armstrong Accountancy Corporation.

Action Requested:

Staff requests that the A&F Committee forward the FY 2021 audit report to the full Board and recommend its approval.

Attachments:

Attachment 1: Central Contra Costa Transit Authority Basic Financial Statements for the year-ended June 30, 2021
Attachment 2: Letter to the Administration and Finance Committee regarding the responsibilities of the auditor and the scope and timing of the audit (SAS 114 Letter)
Attachment 3: Letter to the Administration and Finance Committee reviewing TDA and STA revenue, diesel fuel and PERS benefits. The auditor had no findings.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
CONCORD, CALIFORNIA

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
JUNE 30, 2021

TABLE OF CONTENTS

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Administration and Finance Committee and Board of Directors
Central Contra Costa Transit Authority
Concord, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Central Contra Costa Transit Authority (the Authority), as of and for the fiscal year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 management's discussion and analysis and 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 Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and to fulfill the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or provide any assurance on the statistical section.

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2020, basic financial statements, and our report dated December 9, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

DRAFT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated __________, 2022, on our consideration of the Authority'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 the 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 Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
__________, 2022

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

Introduction

The following discussion and analysis of the basic financial performance and activity of the Central Contra Costa Transit Authority (the Authority) provide an introduction and understanding of the basic financial statements of the Authority. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

The Authority was established on March 27, 1980, under a joint exercise of power agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Contra Costa (the County). A Board of Directors (the Board) composed of representatives of the member jurisdictions governs the Authority. Member jurisdictions include: Cities of Clayton, Concord, Lafayette, Martinez, Orinda, Pleasant Hill, San Ramon, and Walnut Creek; Town of Moraga and Town of Danville; and County of Contra Costa. Each member jurisdiction appoints one regular representative to the Board and one alternative representative to act in the regular representative's absence.

The Authority is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. The Authority is not subject to income tax.

The Authority currently operates an active fixed route bus fleet of 125 and has approximately 249 employees. An independent contractor operates the paratransit service. The Authority receives funds primarily from transit fares and federal, state, and local grants. The disbursement of funds received by the Authority is set by Board policy, subject to applicable statutory requirements and by provisions of various grant contracts.

The Basic Financial Statements

The Authority's basic financial statements include (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; (3) the Statement of Cash Flows; and (4) the Notes to the Basic Financial Statements. The Statement of Net Position presents information on the Authority'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 can be an indication of improving or deteriorating financial condition. The Statement of Revenues, Expenses, and Changes in Net Position presents the most recent fiscal year changes in net position. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Statement of Cash Flows

The Statement of Cash Flows is presented using the direct method and includes a reconciliation of operating cash flows to operating income. The Statement of Cash Flows basically provides detailed information about the cash received in the current and previous fiscal year and the uses of the cash received. This is the only cash-basis financial statement presented and it reconciles cash receipts and cash expenses to the beginning and ending cash on hand.

Most of the cash received by the Authority during the fiscal year was from state and local operating grants; most of the cash expenses were for operating activities.

Financial Highlights

Operating revenues were $1,698,345, while operating expenses were $43,992,730. The Authority is able to cover most of its operating expenses through operating revenue and grants from federal, state, and local agencies.

DRAFT

Statements of Net Position

A comparison of the Authority's Statements of Net Position as of June 30, 2021 and 2020, is as follows:

	2021	2020	2021 to 2020 Increase/Decrease Amount	%
Current assets	$ 25,724,016	$ 26,001,836	$ (277,820)	-1.07%
Noncurrent assets	40,996,956	47,773,076	(6,776,120)	-14.18%
Total assets	66,720,972	73,774,912	(7,053,940)	-9.56%
Deferred outflows of resources	3,741,675	3,773,761	(32,086)	-0.85%
Total assets and deferred outflows of resources	$ 70,462,647	$ 77,548,673	$ (7,086,026)	-9.14%
Current liabilities	$ 22,985,648	$ 22,992,188	$ (6,540)	-0.03%
Noncurrent liabilities	16,082,882	14,073,343	2,009,539	14.28%
Total liabilities	39,068,530	37,065,531	2,002,999	5.40%
Deferred inflows of resources	2,225,521	3,647,380	(1,421,859)	-38.98%
Net position				
Net investment in capital assets	40,996,956	47,773,076	(6,776,120)	-14.18%
Unrestricted net position	(11,828,360)	(10,937,314)	(891,046)	-8.15%
Total net position	29,168,596	36,835,762	(7,667,166)	-20.81%
Total liabilities, deferred inflows of resources, and net position	$ 70,462,647	$ 77,548,673	$ (7,086,026)	-9.14%

The Authority's net position decreased $7,667,166 for a balance of $29,168,596 as of June 30, 2021. The decrease in net position is a combination of depreciation expense and defined pension expense. In fiscal year (FY) 2021, depreciation expense of $7,197,115 was mainly on buses and paratransit vehicles for $6,188,649. Also, allocating defined benefit pension expense for past years where interest income did not meet the assumed investment rate by California Public Employees Retirement System (CalPERS) of 7.5% (FY 2015 for 2.4% and FY 2016 for 0.6%) for $1,445,493. This is slightly offset by interest income earned in Other Postemployment Benefits (OPEB) for $554,446.

The Authority's current liabilities decreased $6,540, as the amount owed to Metropolitan Transportation Commission (MTC) for Transportation Development Act (TDA) advances declined $14,328,745 to $13,930,726. Due to the Coronavirus (COVID-19) pandemic, the Authority received federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act for $1,358,665, combined with lower expenses, meant less TDA funds were needed in FY 2021. Noncurrent liabilities increased $2,009,539 as net pension liability increased by $2,337,938. This was offset by net OPEB liability and self-insurance liabilities decreasing by $57,118 and $135,464, respectively (see Notes 7, 8, 11, and 12 in the basic financial statements for further details).

DRAFT

Statements of Revenues, Expenses, and Changes in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for FYs 2021 and 2020 is as follows:

	2021	2020	2021 to 2020 Increase/Decrease Amount	%
Operating revenues	$ 1,698,345	$ 4,695,829	$ (2,997,484)	-63.83%
Operating expenses	(43,992,730)	(46,964,644)	(2,971,914)	-6.33%
Operating loss	(42,294,385)	(42,268,815)	(25,570)	-0.06%
Nonoperating revenues	34,206,275	33,109,870	1,096,405	3.31%
Capital contributions	420,944	968,706	(547,762)	-56.55%
Decrease in net position	$ (7,667,166)	$ (8,190,239)	$ 523,073	6.39%

The largest revenue category listed on the Statement of Revenues, Expenses, and Changes in Net Position is state and local operating assistance for $31,591,217 (88% of revenue in FY 2021, 63% of revenue in FY 2020). Most of this revenue is provided through the TDA, which returns to the County ¼ cent of the sales tax collected in the County and represented $17,032,304 in FY 2021. The second largest source of revenue is from CCTA Measure J, a countywide ½ cent sales tax, from which the Authority received $7,214,198. The third largest revenue source is State Transit Assistance (STA), which is sales tax on diesel fuel and represented $4,338,448. As noted earlier, the Authority received $1,358,665 in federal CARES Act funding to assist with COVID-19. Finally, capital contributions decreased $968,706 to $420,944 with purchases of the paratransit building elevator refurbishment and Information Technology (IT) equipment including software, laptops, and printers.

Operating a public transit service is labor intensive. The Authority's operating expenses for salaries and benefits paid to employees, including the defined benefit pension and OPEB adjustments, amounted to $25,019,594, or 57% of operating expenses. The next two largest categories of expenses are purchased transportation (the cost of providing public transportation through an independent private contractor) for $6,072,093 (14% of operating expenses) and depreciation of capital assets for $7,197,115 (16% of operating expenses).

Selected revenue increases (decreases) change from prior year:

	2021	2020	2021 to 2020 Increase/ Decrease
Passenger revenue	$ 1,348,037	$ 3,043,712	$ (1,695,675)
Special transit fares	350,308	1,652,117	(1,301,809)
Federal operating assistance	2,371,121	8,339,542	(5,968,421)
State and local operating assistance	31,591,217	23,943,345	7,647,872

In FY 2021, the Authority received $35,660,683 based on the categories above, which represent 99% of operating and nonoperating revenues. Fare revenue decreased $1,695,675, or 56%. This is due to stopping fare collections from March 2020 through October 2020 to protect riders and Authority employees from COVID-19 exposure. Special transit fares decreased $1,301,809 or 79% due to COVID-19, and reduced or discontinued routes on contracted services in the current fiscal year due to office and college closures. The Authority received $2,371,121 in federal operating assistance, which is a decrease of $5,968,421 due mostly to reduced CARES Act funding as well as a withdrawal of Federal Emergency Management Agency (FEMA) claim. This was offset by increased use of TDA revenue, and is reflected in the increase to state and local operating assistance.

DRAFT

Capital Assets

Details of the capital assets, including assets acquired under capital lease, net of accumulated depreciation as of June 30, 2021 and 2020, are as follows:

	2021	2020	2021 to 2020 Increase/(Decrease) Amount	%
Land and land improvements	$ 5,144,554	$ 5,144,554	$ -	0.00%
Construction in process	353,917	270,476	83,441	30.85%
Shop, office, other equipment, and service vehicles	5,690,175	5,685,368	4,807	0.08%
Buildings and structures	20,706,249	20,484,719	221,530	1.08%
Revenue vehicles	74,376,538	75,319,640	(943,102)	-1.25%
Total	106,271,433	106,904,757	(633,324)	-0.59%
Less accumulated depreciation	(65,274,477)	(59,131,681)	(6,142,796)	-10.39%
Net total	$ 40,996,956	$ 47,773,076	$ (6,776,120)	-14.18%

At June 30, 2021, the Authority's net capital assets decreased $6,776,120 due mainly to depreciation on revenue vehicles. The Authority did not have any major purchases of capital assets in the current fiscal year as it updated the fleet over the previous couple of fiscal years. Please refer to Note 5 in the notes to the basic financial statements for further details.

Noncurrent Liabilities

At June 30, 2021, the Authority's noncurrent liabilities balance was $16,082,882 compared to $14,073,343 at June 30, 2020, which consisted of the net pension liability, net OPEB liability, compensated absences, and self-insurance liabilities. The increase is mainly due to pension liabilities increasing from $9,579,911 to $11,917,849 for FY 2021, offset by lower OPEB liability from $3,082,308 to $3,025,190 as noted earlier (see Notes 7, 8, 11, and 12 in the basic financial statements for further details).

Overall Financial Condition

The Authority implemented a service change and fare restructure in March of 2019, which included a fare increase, elimination of paper pass products, and promotion of the Clipper Card to replace the paper passes. The Clipper Card allows for a reloadable contactless smart card for electronic fare payment throughout the Bay Area transit system. The goal of the service change was to restructure the service for increased productivity by aligning service with demand. The update appeared to be successful as ridership and fare revenue were both increasing through February 2020. Then in March 2020, the County implemented a shelter-in-place (SIP) order by the Contra Costa Health Services due to the Coronavirus (COVID-19) pandemic. As a part of the SIP order, the Authority temporarily ceased collection of fare revenues from March 2020 through October 2020 to allow for rear boarding for the health and safety of riders and staff.

While we are still dealing with restrictions intended to limit the devastation wrought by the COVID-19 virus, and with economic impacts resulting from these restrictions, the widespread availability of effective vaccines gives us confidence and optimism about the Authority's financial outlook. The unemployment rate in Contra Costa and Alameda Counties has declined 50% over the past twelve months – from 13.4% in June 2020 to 6.9% in June 2021. Many businesses have continued an option for employees to work-from-home which has decreased traffic congestion and commuters' needs for public transit. Many of the billable contracts for special routes have either suspended service or reduced their agreement terms to account for the lowered ridership. Even the bus advertising contract was renegotiated to a profit-sharing calculation which reduced advertising revenue significantly. Last year, the federal government approved the CARES Act which provided $2 trillion to help individuals, families, businesses, state, and local agencies. This package includes $25 billion for mass transit nationwide. This amounted to $1.3 billion to the Bay Area in mass transit funding which was allocated by the MTC. The Authority received an allocation for $11.8 million from MTC for revenue losses and expenses incurred during COVID-19. The Authority received $6.9 million of this funding at the end of FY 2020 and $1.35 million in FY 2021, leaving $3.55 million for future use.

The impacts of the COVID-19 pandemic on sales tax revenue have varied across counties. Fortunately, the County has experienced stable or increased revenues, which has a positive impact on the Authority's TDA and STA funding. Overall, using current assumptions, there are sufficient TDA reserves to sustain the Authority through FY 2025-26. However, a structural deficit exists with expenses outpacing revenues. In the Spring of 2021, the Board approved a service plan reduction to mitigate some of the financial challenges and ridership declines being experienced by the Authority.

Contacting the Authority's Financial Management

The Authority's financial report is designed to provide the Authority's Board of Directors, management, creditors, legislative and oversight agencies, citizens, and customers with an overview of the Authority's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Amber Johnson, Chief Financial Officer, at 2477 Arnold Industrial Way, Concord, California 94520.

DRAFT

BASIC FINANCIAL STATEMENTS

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021 (WITH COMPARATIVE TOTALS)

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 20,320,806	$ 14,990,473
Capital and operating grants receivable	3,513,530	9,584,011
Materials and supplies	879,224	913,142
Other receivables	789,118	418,270
Prepaid expenses	221,338	95,940
Total Current Assets	25,724,016	26,001,836
Noncurrent Assets		
Capital assets, net, including assets acquired under capital lease (Note 5)	40,996,956	47,773,076
Total Noncurrent Assets	40,996,956	47,773,076
Total Assets	66,720,972	73,774,912
DEFERRED OUTFLOWS OF RESOURCES (Note 7 and Note 11)		
Other postemployment benefits (OPEB)	703,725	735,733
Pension	3,037,950	3,038,028
Total Deferred Outflows of Resources	3,741,675	3,773,761
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 70,462,647	$ 77,548,673
LIABILITIES		
Current Liabilities		
Accounts payable	$ 1,695,341	$ 1,812,419
Capital lease (Note 12)	-	-
Due to other government, TDA payable (Note 13)	13,930,726	14,328,745
Advances from contracts	100,000	-
Advances from LCTOP	731,998	306,279
Advances from MTC	902,170	897,121
Advances from PTMISEA (Note 6)	2,524,646	2,776,675
Compensated absences (Note 12)	950,521	928,383
Other accrued liabilities	854,168	839,717
Self-insurance liabilities (Notes 8 and 12)	1,296,078	1,102,849
Total Current Liabilities	22,985,648	22,992,188
Noncurrent Liabilities		
Compensated absences (Note 12)	558,065	500,653
Self-insurance liabilities (Notes 8 and 12)	581,778	910,471
Net OPEB liability (Note 11)	3,025,190	3,082,308
Net pension liability (Note 7)	11,917,849	9,579,911
Total Noncurrent Liabilities	16,082,882	14,073,343
Total Liabilities	39,068,530	37,065,531
DEFERRED INFLOWS OF RESOURCES (Note 7 and Note 11)		
OPEB	2,032,690	2,562,026
Pension	192,831	1,085,354
Total Deferred Inflows of Resources	2,225,521	3,647,380
NET POSITION		
Net investment in capital assets	40,996,956	47,773,076
Unrestricted	(11,828,360)	(10,937,314)
Total Net Position	29,168,596	36,835,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 70,462,647	$ 77,548,673

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

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS)

	2021	2020
Operating Revenues		
Passenger fares	$ 1,348,037	$ 3,043,712
Special transit fares	350,308	1,652,117
Total Operating Revenues	1,698,345	4,695,829
Operating Expenses		
Salaries and benefits	24,128,547	25,322,594
Materials and supplies	2,289,007	2,468,857
Services	1,746,263	1,869,379
Purchased transportation	6,072,093	6,544,224
Insurance	957,458	790,287
Other	73,552	147,590
Utilities	348,434	365,131
Taxes	228,805	237,192
Leases and rentals	60,409	60,444
Defined benefit pension adjustment	1,445,493	2,120,710
OPEB adjustment	(554,446)	(461,471)
Depreciation	7,197,115	7,499,707
Total Operating Expenses	43,992,730	46,964,644
Operating Loss	(42,294,385)	(42,268,815)
Nonoperating Revenues		
Federal operating assistance	2,371,121	8,339,542
State and local operating assistance	31,591,217	23,943,345
Advertising revenue	95,263	479,408
Interest income	36,814	268,607
Other revenue	84,977	78,968
Gain on sale of capital assets	26,883	-
Total Nonoperating Revenues	34,206,275	33,109,870
Net Loss Before Capital Contributions	(8,088,110)	(9,158,945)
Capital Contributions		
Grants restricted for capital expenses (Note 3)	420,944	968,706
Decrease in Net Position	(7,667,166)	(8,190,239)
Total Net Position, Beginning of Year	36,835,762	45,026,001
Total Net Position, End of Year	$ 29,168,596	$ 36,835,762

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

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,427,497	$ 5,318,778
Payments to employees (salaries and benefits)	(24,170,010)	(25,283,176)
Payments to suppliers	(11,876,830)	(12,197,547)
Net Cash Used in Operating Activities	(34,619,343)	(32,161,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	7,701,334	1,966,616
State and local operating grants	31,832,643	31,570,015
Other noncapital revenue	180,240	260,874
Net Cash Provided by Noncapital Financing Activities	39,714,217	33,797,505
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	26,832	-
Principal payments on capital lease	-	(38,000)
Capital grants received	700,506	597,973
Capital asset purchases	(528,693)	(837,804)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	198,645	(277,831)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	36,814	268,607
Net Increase in Cash and Cash Equivalents	5,330,333	1,626,336
Cash and Cash Equivalents, Beginning of Year	14,990,473	13,364,137
Cash and Cash Equivalents, End of Year	$ 20,320,806	$ 14,990,473

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

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021 (WITH COMPARATIVE TOTALS)

	2021	2020
Operating Loss	$ (42,294,385)	$ (42,268,815)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities:		
Depreciation	7,197,115	7,499,707
Changes in assets, deferred outflows of resources, liabilities,		
and deferred inflows of resources:		
(Increase) Decrease in receivables	(370,848)	622,949
(Increase) Decrease in materials and supplies	33,918	(5,928)
(Increase) Decrease in prepaid expenses	(125,398)	52,519
Increase (Decrease) in accounts payable	(9,329)	238,966
Increase in net pension liability and related items	1,445,493	2,120,710
(Decrease) in net OPEB liability and related items	(554,446)	(461,469)
Increase in advances from contracts	100,000	-
Increase (Decrease) in other liabilities and		
compensated absences	(41,463)	39,416
Net Cash Used in Operating Activities	$ (34,619,343)	$ (32,161,945)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Contra Costa Transit Authority (the Authority) was created in 1980 under a joint exercise of power agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Contra Costa (the County). The Authority is governed by a Board of Directors (the Board) composed of representatives of the member jurisdictions, which include the Cities of Clayton, Concord, Lafayette, Martinez, Orinda, Pleasant Hill, San Ramon, and Walnut Creek; the Town of Moraga and the Town of Danville; and the County of Contra Costa. Each member jurisdiction appoints one regular representative to the Board and one alternate representative to act in the regular representative's absence.

The Authority is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

A. Basis of Accounting and Presentation

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (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 principles. The Authority's basic financial statements are accounted for as a Business-Type Activity, as defined by GASB, and are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributed Capital/Reserved Retained Earnings

The Authority receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation and state and local transportation funds for the acquisition of transit-related equipment and improvements. Prior to July 1, 2001, capital grants were recognized as donated capital to the extent that project costs under the grant had been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by current GASB standards, the Authority includes capital grants in the determination of net income resulting in an increase in net revenue of $420,944 for the fiscal year ended June 30, 2021.

Contributed capital and reserved retained earnings are presented in the net position section as net investment in capital assets and unrestricted net position.

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position is presented in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by unrestricted resources as they are needed.

The basic financial statements consist of (1) the Statement of Net Position; (2) the Statement of Revenues, Expenses, and Changes in Net Position; (3) the Statement of Cash Flows; and (4) the Notes to the Basic Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting and Presentation (Continued)

Classification of Revenue

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Enterprise Funds' principal ongoing operational activities. Charges to customers represent the Authority's principal operating revenues and include passenger fees and special transit fares. Operating expenses include the cost of operating maintenance and support of transit services and related capital assets, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating or other revenues and expenses.

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

Certain cash and cash equivalents are classified as restricted because their use is limited by applicable contracts or stipulations of the granting agency. Some of these restricted funds are required to be maintained in separate bank accounts. For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, including cash and cash equivalents restricted for capital projects. At June 30, 2021, the Authority considered all of its cash and investments to be cash and cash equivalents.

D. Materials and Supplies

Materials and supplies are stated at cost using the first-in, first-out (FIFO) method.

E. Capital Assets

Capital assets are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	30 years
Revenue transit vehicles	9-13 years
Shop, office, other equipment, and service vehicles	3-10 years

Depreciation expense on assets acquired with capital grant funds is transferred to net position, net investment in capital assets, after being charged to operations.

Major improvements and betterments to existing property, buildings, and equipment are capitalized. Costs for maintenance and repairs which do not extend the useful lives of the applicable assets are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

F. Deferred Outflows of Resources and Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position that is applicable to a future reporting period. The Authority has deferred outflows of resources and deferred inflows of resources related to the California Public Employees' Retirement System (CalPERS) defined benefit plan for pensions and for its postemployment healthcare plan. Refer to Notes 7 and 11 for more information.

DRAFT

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

G. <u>Self-Insurance Liabilities</u>

The Authority is self-insured for public liability and property damage for the first $250,000 for each occurrence. Claims between $250,000 and $1,000,000 are insured through a compensation pool with the California Transit Systems Joint Powers Insurance Authority (CalTIP) and claims in excess of $1,000,000 are insured with excess insurance purchased through CalTIP up to $25 million per occurrence. Additionally, the Authority is insured for workers' compensation claims with the Local Agency Workers' Compensation Excess (LAWCX). Refer to Note 8 for further descriptions. The Authority has recorded a liability for estimated claims to be paid.

H. <u>Capital and Operating Grants</u>

Federal, state, and local governments have made various grants available to the Authority for operating assistance and acquisition of capital assets. Grants for operating assistance, the acquisition of equipment, or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the Authority's compliance with appropriate grant requirements.

Operating assistance grants are included in nonoperating revenues in the year in which the grant is applicable and the related reimbursable expense is incurred. Under the accrual basis of accounting, revenue may be recognized only when earned. Therefore, enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Grants received in excess of allowable expenses are recorded as due to other government and advances (refer to Notes 6 and 13).

I. <u>Defined Benefit Pension</u>

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

Other pension costs are recognized when pension contributions are made, which are determined by the annual actuarial valuations.

J. <u>Defined Benefit Other Postemployment Benefits (OPEB)</u>

The Authority's Healthcare Insurance Benefits Program is a defined benefit postemployment healthcare plan. For purposes of measuring the OPEB liability, deferred outflow/inflow of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's 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 MacLeod Watts and Public Agency Retirement Services (PARS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Benefits are provided through CalPERS Health Benefits Program for all administrative employees and transit operators, and continue to the surviving spouses.

K. <u>Compensated Absences</u>

Vacation benefits are accrued when earned and reduced when used. Sick leave, holiday pay, and other absence pay are expensed when used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Funding Sources/Programs

Transportation Development Act (TDA)

The Local Transportation Fund was created under the TDA to collect ¼ cent of the State's 7.25 percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county based on the amount of tax collected in that county. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Metropolitan Transportation Commission (MTC) to the Authority for specific transportation purposes.

State Transit Assistance (STA)

This program provides a second source of funding for transportation planning and mass transportation purposes as specified by California legislation.

Federal Transit Administration (FTA)

This program represents funding from within the U.S. Department of Transportation to assist local transportation needs.

Measure J Funds

This represents a local sales and use tax allocation administered by the Contra Costa Transportation Authority to claimants for transportation purposes within the County.

M. Subsequent Events

Subsequent events were evaluated through __________, 2022, which is the date the basic financial statements were available to be issued. The COVID-19 pandemic outbreak in the United States has caused business disruption through mandated closings of businesses. While the disruption is expected to be temporary, the durations of the closings and the related financial impacts on the Authority remain uncertain and cannot be estimated at this time.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

Cash on hand	$ 450
Cash in banks	662,349
Investments	19,658,007
	$ 20,320,806

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	100%	50%
U.S. Treasury Obligations	5 years	100%	50%
U.S. Agency Securities	5 years	100%	50%
Negotiable Certificates of Deposit*	5 years	30%	30%
County Pooled Investment Funds	N/A	100%	50%
Local Agency Investment Fund (LAIF)	N/A	100%	100%

* Limited to nationally or state-chartered bank of a state or federal association (as defined by California Financial Code Section 5102) or by a state-licensed branch of a foreign bank. The maximum investment in a certificate of deposit shall not exceed the shareholder's equity in any depository bank; the total net worth of any depository savings association; or the total or unimpaired capital and surplus of any credit union or industrial loan company.

The Authority shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. The Authority shall not invest any funds in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued by diversified management companies as set forth in California Government Code Section 53601.6. In addition, the portfolio should consist of a mix of authorized types of investments. With the exception of investments in the California State LAIF, no more than fifty percent (50%) of the Authority's portfolio shall be deposited or invested in a single security type or with a single financial institution.

Investment in State Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2021, had a balance of $193 billion. Of that amount, 2.31% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 291 days as of June 30, 2021.

DRAFT

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks (Continued)

Investment in State Investment Pool (Continued)

LAIF has the following restrictions on withdrawals:

a) For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
b) Transaction calls received after 10 a.m. are processed the following business day.
c) A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
d) 24-hour notice is needed for withdrawals of $10 million or more.
e) The minimum transaction amount is $5,000, with amounts above the minimum transacted in increments of $1,000.
f) Prior to the funds transfer, an authorized person from the requesting agency must call LAIF to do a verbal transaction.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov.

Fair Value Measurements

GASB Statement No. 72 improved the measuring of fair value for financial reporting purposes and enhanced disclosures about the fair value hierarchy as established by GAAP. The Authority's investments are held with LAIF, which is recorded on an amortized cost basis. As such, GASB Statement No. 72 does not apply.

Disclosures Relating to 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 to changes in market interest rates.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

		Remaining Maturity			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	$ 19,658,007	$ 19,658,007	$ -	$ -	$ -

Disclosure Relating to 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. Presented below is the minimum rating required by (where applicable) the California Government Code or the Authority's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3,* does not require disclosure as to credit risk:

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks (Continued)

Disclosure Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End AAA	Aa	Not Rated
LAIF	$ 19,658,007	N/A	$ -	$ -	$ -	$ 19,658,007

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 its deposits or 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 counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: $464,263 of the Authority's deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts as of June 30, 2021.

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Authority did not have any investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority's investments at June 30, 2021.

NOTE 3 – CAPITAL GRANTS

The Authority receives grants from the FTA, which provide financing primarily for the acquisition of rolling stock. The Authority also receives grants under the State TDA and State Toll Bridge revenue programs primarily for the acquisition of rolling stock and support equipment, and the purchase of furniture and fixtures.

A summary of federal, state, and local grant activity for the fiscal year ended June 30 is as follows:

Federal grants	$ 109,244
State grants	267,358
TDA (local transportation grants)	44,342
Total Capital Assistance	$ 420,944

DRAFT

NOTE 4 – OPERATING GRANTS

The Authority receives local transportation fund allocations pursuant to the 1971 State TDA. These funds are generated within the County and are allocated based on annual claims filed by the Authority and approved by the MTC. Generally, the maximum annual TDA assistance the Authority can receive is limited to its actual operating costs less fare revenues received, federal operating assistance received, and other local operating assistance (toll bridge revenue allocations, local sales tax allocations, and related interest income). In computing the maximum TDA assistance eligibility, the Authority excludes safe harbor lease income, which for the year ended June 30, 2021, was $8,725. For the year ended June 30, 2021, the Authority's maximum TDA assistance eligibility was $17,672,037.

During the fiscal year ended June 30, 2021, the Authority earned $7,214,198 of Measure J funds from the Contra Costa Transportation Authority, which is included in state and local operating assistance. These funds, derived from sales and use taxes, are to be used for bus services to alleviate congestion and improve mobility; transportation for seniors and people with disabilities; express bus service; and bus transit improvements.

During the fiscal year ended June 30, 2021, the Authority earned $131,016 of State of Good Repair (SGR) funds from STA funds out of Senate Bill 1 (SB1). Eligible projects for SGR funding include security equipment and systems, as well as preventative maintenance. The Authority used SGR funds to support the ongoing maintenance of its onboard technology. The Authority also earned other state and local operating assistance of $6,573,966, which mostly consisted of STA revenues.

Federal operating assistance funds have also been received pursuant to Sections 9 of the Urban Mass Transportation Act of 1974 (now FTA) for $1,045,934. These funds are apportioned to the local urbanized area and allocated to individual transit operators by MTC after FTA approval. Expenses of federal operating assistance funds are subject to final audit and approval by MTC and the FTA. Due to the Coronavirus (COVID-19) pandemic, the Authority received federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act for $1,358,665 that, in combination with lower expenses, meant less TDA funds were needed in fiscal year 2021.

DRAFT

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity, including assets acquired under capital lease, at June 30 is shown below:

	Balance June 30, 2020	Additions	Reclassifications and Deletions	Balance June 30, 2021
Capital Assets Not Being Depreciated:				
Construction in process	$ 270,476	$ 135,524	$ (52,083)	$ 353,917
Land	2,704,785	-	-	2,704,785
Total Capital Assets Not Being Depreciated	2,975,261	135,524	(52,083)	3,058,702
Capital Assets Being Depreciated:				
Land improvements	2,439,769	-	-	2,439,769
Shop, office, other equipment, and service vehicles	5,685,368	113,221	(108,414)	5,690,175
Buildings and structures	20,484,719	221,530	-	20,706,249
Revenue vehicles	75,319,640	3,849	(946,951)	74,376,538
Total Capital Assets Being Depreciated	103,929,496	338,600	(1,055,365)	103,212,731
Less Accumulated Depreciation for:				
Land improvements	2,238,249	30,975	-	2,269,224
Shop, office, other equipment, and service vehicles	4,471,632	360,361	(108,414)	4,723,579
Buildings and structures	14,771,196	618,719	-	15,389,915
Revenue vehicles	37,650,604	6,187,060	(945,905)	42,891,759
Total Accumulated Depreciation	59,131,681	7,197,115	(1,054,319)	65,274,477
Total Capital Assets Being Depreciated, Net	44,797,815	(6,858,515)	(1,046)	37,938,254
Total Capital Assets, Net	$ 47,773,076	$ (6,722,991)	$ (53,129)	$ 40,996,956

Depreciation expense for the fiscal year ended June 30, 2021, was $7,197,115.

NOTE 6 – ADVANCES FROM PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2021, the Authority received $0 in funds, and earned interest of $15,329 from the State's PTMISEA account. As of June 30, 2021, there were $267,358 of expenses incurred related to rolling stock replacement, facility rehabilitation, and lifeline bus stop. The remaining proceeds of $2,524,646, which includes accrued interest, was deferred as shown in the schedule below. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

Advances from PTMISEA, beginning of year	$ 2,776,675
Proposition 1B (PTMISEA) funds allocated	-
Proposition 1B (PTMISEA) interest earned	15,329
Proposition 1B (PTMISEA) expenses	(267,358)
Advances from PTMISEA, end of year	$ 2,524,646

DRAFT

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Authority's Plan. The Plan is an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website. The Authority's Plan is referred to by CalPERS as the Miscellaneous Plan.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. California Public Employees' Pension Reform Act (PEPRA) Members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 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. The COLAs for the Plan are applied as specified by the California Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2%@60	2%@62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	52
Monthly Benefits, as a Percentage of Eligible Compensation	1.092%-2.418%	1.000%-2.500%
Required Employee Contribution Rates	7.080%	7.250%
Required Employer Contribution Rates	8.910%	8.910%

Employees Covered – At June 30, 2021, the following employees were covered by the benefit terms for the Plan as of the June 30, 2019 actuarial valuation:

	Miscellaneous
Inactive Employees or Beneficiaries Currently Receiving Benefits	212
Inactive Employees Entitled to but not yet Receiving Benefits	178
Active Employees	233
Total	623

Contributions – Section 20814(c) of the California Public Employees' Retirement Law 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 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 Authority is required to contribute the difference between the actuarially determined rate and the

DRAFT

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

contribution rate of employees. For the measurement period ended June 30, 2020 (the measurement date), the classic (prior to January 1, 2013) active employee contribution rate is 7.080% of annual pay, the PEPRA (on or after January 1, 2013) active employee contribution rate is 7.250% of annual pay, and the employer's contribution rate is 8.910% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

B. Net Pension Liability

The Authority's net pension liability for the Plan is measured as the total pension liability, less the Plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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:

	Miscellaneous
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all funds. (1)
Post-Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

(1) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017.

All other actuarial assumptions used in the June 30, 2019 valuation were based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. 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.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the reporting period ended June 30, 2021, the 7.15% discount rate was not reduced for administrative expense.

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 as well as the expected pension fund cash flows. 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rate of return by asset class are as followed:

Asset Class [(a)]	Assumed Asset 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	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
Total	100.00%		

[(a)] In CalPERS' Comprehensive Annual Financial Report 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.

[(a)] An expected inflation of 2.00% used for this period.

[(b)] An expected inflation of 2.92% used for this period.

Annual Money-Weighted Return – For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expenses, was 5.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

DRAFT

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the net pension liability are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2019 (Measurement Date)	$ 103,136,355	$ 93,556,444	$ 9,579,911
Changes in the year:			
Service Cost	2,334,896	-	2,334,896
Interest on the Total Pension Liability	7,294,049	-	7,294,049
Differences between Expected and Actual Experience	(68,868)	-	(68,868)
Changes of Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	1,590,639	(1,590,639)
Contribution - Employee (Paid by Employer)	-	408,586	(408,586)
Contribution - Employee	-	690,196	(690,196)
Net Investment Income	-	4,664,610	(4,664,610)
Administrative Expenses	-	(131,892)	131,892
Other Miscellaneous Income/(Expense)	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,440,542)	(4,440,542)	-
Net Changes During 2019-20	5,119,535	2,781,597	2,337,938
Balance at June 30, 2020 (Measurement Date)	$ 108,255,890	$ 96,338,041	$ 11,917,849

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability	$ 25,539,293	$ 11,917,849	$ 534,569

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

DRAFT

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN (Continued)

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2021, the Authority recognized a defined benefit pension adjustment (pension expense) of $1,445,493. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	$ 2,194,430	$ -
Changes of Assumptions	-	(60,044)
Differences between Expected and Actual Experience	10,716	(132,787)
Net Differences between Projected and Actual Earnings on Plan Investments	832,804	-
Total	$ 3,037,950	$ (192,831)

$2,194,430 reported as a deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	$ (488,520)
2023	265,113
2024	484,837
2025	389,259
Total	$ 650,689

E. Payable to the Pension Plan

At June 30, 2021, the Authority reported a payable of $90,556 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2021.

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is self-insured for public liability and property damage up to $250,000 per occurrence. Claims between $250,000 and $1,000,000 are insured through CalTIP, a joint powers agency (risk sharing pool) established in 1987 to provide an independently managed self-insurance program for member transit operators. Claims in excess of the pool limit are covered by excess insurance purchased by CalTIP up to $25 million per occurrence. Specifically, the Authority has the following forms of coverage through CalTIP:

- bodily injury liability,
- property damage liability,
- public officials errors and omissions liability, and
- personal injury liability.

DRAFT

NOTE 8 – <u>RISK MANAGEMENT</u> (Continued)

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.

The Authority makes payments to CalTIP based on actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of $489,151 at June 30, 2021, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, for Public Entity Risk Pools, and for Entities Other Than Pools,* which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. This liability relates to the Authority's self-insured retention for its insurance program.

As of July 1, 2001, the Authority obtained insurance coverage relating to workers' compensation claims through the LAWCX, a joint powers agency (risk sharing pool) established in 1992 as a state-wide joint powers authority. Currently, there are 34 members consisting of 23 municipalities, 10 joint powers authorities, and 1 special district. The Authority is self-insured up to $250,000 per occurrence. Claims between $250,000 and $5,000,000 are covered by LAWCX. The Authority pays an annual premium to the pool. LAWCX participates in the California State Association of Counties Excess Insurance Authority (CSAC-EIA) for excess workers' compensation coverage in excess of $5 million up to statutory limits. CSAC-EIA is a member-directed risk sharing pool of counties and public entities committed to providing risk coverage programs and risk management services.

The Authority makes payments to LAWCX on the actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of $1,388,705 at June 30, 2021, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. This liability relates to the Authority's self-insured retention for its insurance program.

NOTE 9 – <u>COMMITMENTS AND CONTINGENCIES</u>

The Authority has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the Authority believes that any required reimbursements will not be material.

Additionally, the Authority is involved in various lawsuits, claims, and disputes, which for the most part are normal to the Authority's operations. In the opinion of Authority management, the costs that might be incurred, if any, would not materially affect the Authority's financial position or results of operations.

NOTE 10 – <u>CASH RESERVE FUNDS</u>

The Authority has designated two cash reserve funds as follows:

<u>Safe Harbor Lease Reserve</u>

The Authority maintains a reserve fund consisting of proceeds from the sale of federal income tax benefits under the safe harbor lease provisions of the Tax Equity and Fiscal Responsibility Act of 1982. The funds held are designated by the Authority's Board as a reserve against future unanticipated operating and capital funding shortfalls. As of June 30, 2021, this fund, including accrued interest, totaled $1,557,746.

Self-Insurance Reserve

The Authority is self-insured for public liability and property damage up to $250,000 for each occurrence. For workers' compensation claims, it is also self-insured up to $250,000 per occurrence. Claims in excess of this amount are insured. Refer to Note 8 for further description. The Authority has designated a cash reserve fund to cover anticipated liability and damage claims not covered by insurance. The Authority reserves for reported actual and estimated incurred claims. The reserve for public liability and property damage as of June 30, 2021, totaled $489,151, and for the workers' compensation totaled $1,388,705.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The Authority's Healthcare Insurance Benefits Program is a single-employer defined benefit postemployment healthcare plan in which retirees are eligible to participate. Benefits are provided through CalPERS Health Benefits Program for all administrative employees and transit operators. Benefits continue to the surviving spouses.

Benefits Provided

Eligibility for retiree health benefits requires service or disability retirement from the Authority on or after age 50 (age 52 if a PEPRA member) with at least five years of CalPERS service.

The Authority pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority.

Employees Covered by Benefit Terms

At July 1, 2020 (the census date), the benefit terms covered the following employees:

Retirees and survivors currently receiving benefits	54
Active employees	212
Total	266

Contributions

The Actuarially Determined Contribution (ADC) consists of two basic components, which have been adjusted with interest to the Authority's fiscal year-end:

- The amounts attributed to service performed in the current fiscal year (the normal cost) and
- Amortization of the unfunded actuarial accrued liability (UAAL).

The development of the ADC reflects the assumption that the Authority will contribute at least 100% of this amount each year, with contributions comprising of direct payments to insurers toward retiree premiums, each current year's implicit subsidy, and contributions to the OPEB trust.

B. Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long-Term Return on Assets	5.1%
Discount Rate	5.1%
Participants Valued	Only current active employees, retired participants, and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.0% per year where determined on a percent of pay basis
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the CalPERS using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Mortality rates used were the CalPERS published rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Mortality	MacLeod Watts Scale 2018 applied generationally from 2015.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's level are assumed to be effective on the dates shown below. The required PEMHCA minimum employer contribution (MEC) is assumed to increase by 4.0% annually.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2020	7.00%	2023	5.50%
2021	6.50%	2024	5.00%
2022	6.00%	2025 & later	5.00%

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity - Large Cap Funds	15.50%	6.70%
Equity - Mid Cap Funds	3.00%	7.00%
Equity - Small Cap Funds	4.50%	7.90%
Equity - Real Estate	1.00%	5.70%
Equity - International	4.00%	7.30%
Equity - Emerging Markets	2.00%	9.70%
Fixed Income - Short Term Bond	14.00%	3.80%
Fixed Income - Intermediate Term Bond	49.25%	4.60%
Fixed Income - High Yield	1.75%	6.00%
Alternatives	-	4.40%
Cash Equivalents	5.00%	2.10%
Total	100.00%	

Annual Money-Weighted Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expenses, was 11.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.10%. The projection of cash flows used to determine the discount rate assumed that the Authority contribution will be made at rates equal to the ADC rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

DRAFT

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020	$ 7,072,609	$ 3,990,303	$ 3,082,306
Measurement Date June 30, 2019			
Changes in the Year:			
Service Cost	318,449	-	318,449
Interest	369,885	-	369,885
Expected Investment Income	-	209,951	(209,951)
Employer Contributions	-	529,577	(529,577)
Benefit Payments	(276,823)	(276,823)	-
Assumption Changes	-	-	-
Plan Experience	-	-	-
Investment Experience	-	5,924	(5,924)
Net Changes	411,511	468,629	(57,118)
Balance at June 30, 2021	$ 7,484,120	$ 4,458,932	$ 3,025,188
Measurement Date June 30, 2020			

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

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.10%) or one percentage point higher (6.10%), follows:

	1% Decrease 4.10%	Discount Rate 5.10%	1% Increase 6.10%
Net OPEB Liability	$ 3,892,529	$ 3,025,188	$ 2,297,638

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

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using Healthcare Cost Trend Rates that are one percentage point lower (5.50%) or one percentage point higher (7.50%) than current healthcare cost trend rates, follows:

	1% Decrease 5.50% Decreasing to 4.00%	Discount Rate 6.50% Decreasing to 5.00%	1% Increase 7.50% Decreasing to 6.00%
Net OPEB Liability	$ 2,513,106	$ 3,025,188	$ 3,743,191

B. Net OPEB Liability (Continued)

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

For the fiscal year ended June 30, 2021, the Authority recognized an OPEB expense of $554,446. At June 30, 2021, the Authority 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
Changes of Assumptions	$ 146,814	$ 440,829
Differences Between Expected and Actual Experience	-	1,591,861
Net Difference Between Projected and Actual Earnings on Investments	10,496	-
Contributions Made Subsequent to the Measurement Date	546,415	-
Total	$ 703,725	$ 2,032,690

The $546,415 reported as a deferred outflow of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction to the net OPEB liability during the fiscal year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB expenses will be recognized as follows:

For the Fiscal Year Ending June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2022	$ (486,416)
2023	(492,202)
2024	(509,090)
2025	(227,458)
2026	(160,214)
Total	$ (1,875,380)

DRAFT

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities at June 30, 2021, follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Self-Insurance Liabilities	$ 2,013,320	$ 1,694,708	$ 1,830,171	$ 1,877,857	$ 1,296,078
Compensated Absences	1,429,036	967,442	887,892	1,508,586	950,521
Totals	$ 3,442,356	$ 2,662,150	$ 2,718,063	$ 3,386,443	$ 2,246,599

NOTE 13 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

The Authority received TDA funds under Articles 4 and 4.5 (two subsections: 99260(a) and 99275) of the California Public Utilities Code for the fiscal year ended June 30, 2021. TDA funds received pursuant to these Sections of the California Public Utilities Code may be used for public transportation services and community transit services, respectively. According to the underlying TDA allocation instructions issued by the MTC, eligible costs must be incurred on or before June 30 of the fiscal year for which funds are allocated. Unused portions must revert back to the County's Local Transportation Fund (LTF).

A summary of LTF allocations, corresponding expenses, and portion to be returned to the County's LTF as of the fiscal year ended June 30 follows:

LTF Allocations for Public Transportation Services:	
99260(a)	$ 21,522,389
Less: applicable expenses	(17,081,200)
Unused portion to revert back to (balance due to) the County's LTF (Current Year)	4,441,189
Prior year unused portion not returned	9,489,536
Total Unused Portion to Revert Back to the County's LTF	$ 13,930,725
LTF Allocations for Community Transit Services:	
99275 and 99260(a)	$ 590,837
Less: applicable expenses	(590,837)
Unused portion to revert back to the County's LTF	-
Total Due Back to the County's LTF	$ 13,930,725

NOTE 14 – EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN

Employees of the Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

NOTE 14 – <u>EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN</u> (Continued)

The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. Employees are allowed loans under the IRC Section 457 rules.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of IRC Section 457 Deferred Compensation Plans, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employee.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

Measurement Period	June 30, 2020	June 30, 2019	June 30, 2018
Total Pension Liability			
Service Cost	$ 2,334,896	$ 2,340,898	$ 2,257,838
Interest on Total Pension Liability	7,294,049	6,932,405	6,570,234
Changes of Benefit Terms	-	-	-
Changes of Assumptions	-	-	(660,476)
Differences between Expected and Actual Experience	(68,868)	25,006	(932,669)
Benefit Payments, Including Refunds of Employee Contributions	(4,440,542)	(3,846,430)	(3,812,132)
Net Change in Total Pension Liability	5,119,535	5,451,879	3,422,795
Total Pension Liability - Beginning	103,136,355	97,684,476	94,261,681
Total Pension Liability - Ending (a)	$ 108,255,890	$ 103,136,355	$ 97,684,476
Plan Fiduciary Net Position			
Contributions - Employer	$ 1,590,639	$ 1,424,384	$ 1,158,215
Contributions - Employee (Paid by Employer)	408,586	449,362	586,800
Contributions - Employee	690,196	596,997	470,086
Net Investment Income	4,664,610	5,804,423	6,979,197
Benefit Payments, Including Refunds of Employee Contributions	(4,440,542)	(3,846,430)	(3,812,132)
Administrative Expenses	(131,892)	(63,649)	(131,190)
Other Miscellaneous Income/(Expense)**	-	207	(249,340)
Net Change in Plan Fiduciary Net Position	2,781,597	4,365,294	5,001,636
Plan Fiduciary Net Position - Beginning***	93,556,444	89,191,150	84,189,514
Plan Fiduciary Net Position - Ending (b)	$ 96,338,041	$ 93,556,444	$ 89,191,150
Net Pension Liability [(a) - (b)]	$ 11,917,849	$ 9,579,911	$ 8,493,326
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.99%	90.71%	91.31%
Covered Payroll****	$ 15,073,568	$ 15,239,229	$ 14,673,672
Net Pension Liability as a Percentage of Covered Payroll	79.06%	62.86%	57.88%

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
RELATED RATIOS (Continued)
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

Measurement Period	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability				
Service Cost	$ 2,337,306	$ 1,945,766	$ 1,918,011	$ 1,994,470
Interest on Total Pension Liability	6,322,423	6,022,970	5,722,716	5,409,869
Changes of Benefit Terms	-	-	-	-
Changes of Assumptions	5,271,395	-	(1,429,806)	-
Differences between Expected and Actual Experience	(516,597)	(800,944)	(576,058)	-
Benefit Payments, Including Refunds of Employee Contributions	(3,309,790)	(3,141,095)	(2,716,414)	(2,653,773)
Net Change in Total Pension Liability	10,104,737	4,026,697	2,918,449	4,750,566
Total Pension Liability - Beginning	84,156,944	80,130,247	77,211,798	72,461,232
Total Pension Liability - Ending (a)	$ 94,261,681	$ 84,156,944	$ 80,130,247	$ 77,211,798
Plan Fiduciary Net Position				
Contributions - Employer	$ 1,070,201	$ 1,272,683	$ 947,246	$ 917,689
Contributions - Employee (Paid by Employer)	527,557	491,555	432,811	509,838
Contributions - Employee	469,913	506,311	515,306	447,265
Net Investment Income	8,507,531	460,130	1,698,644	11,507,514
Benefit Payments, Including Refunds of Employee Contributions	(3,309,790)	(3,141,095)	(2,716,414)	(2,653,773)
Administrative Expenses	(113,741)	(47,229)	(87,217)	-
Other Miscellaneous Income/(Expense)**	-	-	-	-
Net Change in Plan Fiduciary Net Position	7,151,671	(457,645)	790,376	10,728,533
Plan Fiduciary Net Position - Beginning***	77,037,843	77,495,488	76,705,112	65,976,579
Plan Fiduciary Net Position - Ending (b)	$ 84,189,514	$ 77,037,843	$ 77,495,488	$ 76,705,112
Net Pension Liability [(a) - (b)]	$ 10,072,167	$ 7,119,101	$ 2,634,759	$ 506,686
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.31%	91.54%	96.71%	99.34%
Covered Payroll****	$ 14,786,527	$ 13,915,228	$ 13,613,535	$ 13,553,073
Net Pension Liability as a Percentage of Covered Payroll	68.12%	51.16%	19.35%	3.74%

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND
RELATED RATIOS (Continued)
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

Notes to Schedule:

*   When information is available, the required 10 years will be shown.

** During fiscal year 2017-18, as a result of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (GASB 75), California Public Employees Retirement System (CalPERS) reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and, during fiscal year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

*** Includes any beginning of year adjustment.

**** Covered Payroll represented above is based on pensionable earnings provided by the employer. Payroll was assumed to increase by the 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-19; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

Benefit changes: The figures do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: None in 2019 or 2020. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS – PENSION
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

	June 30, 2020	June 30, 2019	June 30, 2018
Annual Money-Weighted Rate of Return, Net of Investment Expense	5.0%	6.5%	8.4%

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	11.2%	0.5%	2.2%	17.7%

Note to Schedule:

* When information is available, the required 10 years will be shown.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS – PENSION
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

Fiscal Year Ended June 30	2020	2019	2018
Actuarially Determined Contributions	$ 1,590,639	$ 1,424,384	$ 1,158,215
Contributions in Relation to the Actuarially Determined Contributions	(1,590,639)	(1,424,384)	(1,158,215)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll**	$ 15,073,568	$ 15,239,229	$ 14,673,672
Contributions as a Percentage of Covered Payroll	10.55%	9.35%	7.89%

Fiscal Year Ended June 30	2017	2016	2015	2014
Actuarially Determined Contributions	$ 1,070,201	$ 1,272,683	$ 947,246	$ 917,689
Contributions in Relation to the Actuarially Determined Contributions	(1,070,201)	(1,272,683)	(947,246)	(917,689)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll**	$ 14,786,527	$ 13,915,228	$ 13,613,535	$ 13,553,073
Contributions as a Percentage of Covered Payroll	7.24%	9.15%	6.96%	6.77%

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS – PENSION (Continued)
AS OF JUNE 30, 2021
LAST 10 FISCAL YEARS*

Notes to Schedule:

* When information is available, the required 10 years will be shown.
** Covered Payroll represented above is based on pensionable earnings provided by the employer. Payroll was assumed to increase by the 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-19; 3.00 percent payroll growth assumption for fiscal years ended June 30, 2014-17.

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2020 were derived from the June 30, 2017 funding valuation report.

Valuation date:	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Asset valuation method	Fair Value of Assets. CalPERS employs a policy that amortizes all gains and losses over a fixed 30-year period. The increase or decrease in the rate is then spread directly over a 5-year period. This method is referred to as “direct rate smoothing.”
Inflation	2.625%
Projected salary increases	Varies by entry age and service.
Payroll growth	2.875%
Investment rate of return	7.25% (Net of Pension Plan Investment and Administrative Expenses; includes Inflation)
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 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 90% of Scale MP-2016 published by the Society of Actuaries.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY AND RELATED RATIOS
JUNE 30, 2021
LAST 10 FISCAL YEARS*

Measurement Period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability				
Service Cost	$ 318,449	$ 331,211	$ 320,785	$ 350,850
Interest on the Total OPEB Liability	369,885	406,509	385,114	482,126
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	-	(1,357,116)	-	(1,408,629)
Changes in Assumptions	-	205,894	-	(994,873)
Benefit Payments	(276,823)	(306,893)	(286,733)	(316,489)
Net Change in Total OPEB Liability	411,511	(720,395)	419,166	(1,887,015)
Total OPEB Liability - Beginning	7,072,609	7,793,004	7,373,838	9,260,853
Total OPEB Liability - Ending (a)	$ 7,484,120	$ 7,072,609	$ 7,793,004	$ 7,373,838
OPEB Plan Fiduciary Net Position				
Net Investment Income	$ 215,875	$ 224,930	$ 80,538	$ 111,685
Contributions - Employer	529,577	606,839	588,345	748,139
Benefit Payments	(276,823)	(306,893)	(286,733)	(316,489)
Administrative Expenses	-	-	(1,550)	-
Net Change in OPEB Plan Fiduciary Net Position	468,629	524,876	380,600	543,335
OPEB Plan Fiduciary Net Position - Beginning	3,990,303	3,465,427	3,084,827	2,541,492
OPEB Plan Fiduciary Net Position - Ending (b)	$ 4,458,932	$ 3,990,303	$ 3,465,427	$ 3,084,827
Net OPEB Liability [(a) - (b)]	$ 3,025,188	$ 3,082,306	$ 4,327,577	$ 4,289,011
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.58%	56.42%	44.47%	41.83%
Covered Payroll	$ 15,543,046	$ 15,503,972	$ 14,836,604	$ 12,531,658
Net OPEB Liability as a Percentage of Covered Payroll	19.46%	19.88%	29.17%	34.23%

Notes to Schedule:

* When information is available, the required 10 years will be shown.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF INVESTMENT RETURNS – OPEB
JUNE 30, 2021
LAST 10 YEARS*

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual Money-Weighted Rate of Return, Net of Investment Expense	11.76%	6.23%	7.16%	9.38%

Notes to Schedule:

* When information is available, the required 10 years will be shown.

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
SCHEDULE OF CONTRIBUTIONS – OPEB
JUNE 30, 2021
LAST 10 FISCAL YEARS*

Fiscal Year Ended June 30	2021	2020	2019	2018	2017
Actuarially Determined Contributions	$ 545,410	$ 529,577	$ 606,839	$ 588,345	$ 748,139
Contributions in Relation to the Actuarially Determined Contributions	(546,415)	(529,577)	(606,839)	(588,345)	(748,139)
Contribution Deficiency (Excess)	$ (1,005)	$ -	$ -	$ -	$ -
Covered Payroll	$ 14,326,765	$ 16,007,851	$ 15,503,972	$ 14,836,604	$ 12,531,658
Contributions as a Percentage of Covered Payroll	3.81%	3.31%	3.91%	3.97%	5.97%

Notes to Schedule:

* When information is available, the required 10 years will be shown.

The actuarial methods and assumptions used to set the actuarially determined contributions for the Authority's fiscal years ending June 30, 2020 and June 30, 2021 were from the June 30, 2019 valuation.

Valuation Date	June 30, 2019

Methods and assumptions used to determine contribution rates:

Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long-Term Return on Assets	5.1%
Discount Rate	5.1%
Participants Valued	Only current active employees, retired participants, and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.0% per year
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the CalPERS using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown in the July 1, 2018 funding valuation. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Mortality	MacLeod Watts Scale 2018 applied generationally from 2015.

SUPPLEMENTARY SCHEDULE AND OTHER REPORTS

DRAFT

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Federal Grantor/Project Number/Program Title	Federal CFDA Number	Pass-Through Identification Number	Grant Expenditures	Passed-Through To Subrecipients
Direct Programs:				
Federal Transit				
U.S. Department of Transportation				
Federal Transit Formula Grants	20.507			
COVID-19 Grant CA-2020-125-00 - CCCTA 5307 CARES Act Grant - Operating Assistance			$ 1,358,665	$ -
Grant CA-2020-233-00 - FY 20 5307 Formula Grant			1,045,934	-
Grant CA-2017-034-00 - FY 17 5307 Formula Grant			93,828	-
Grant CA-2016-013-00 - FY 15 Projects - Access and Planning Software			18,186	-
Total Federal Transit Formula Grants - Direct Programs			2,516,613	-
Total Expenditures of Federal Awards			$ 2,516,613	$ -

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal financial assistance programs of the Central Contra Costa Transit Authority (the Authority). Federal financial assistance is received directly from the Federal Transit Administration (FTA) and is included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA has been prepared on the accrual basis of accounting. Federal capital grant funds are used to purchase property, plant, and equipment. Federal grants receivable are included in capital and operating grants receivable, which also includes receivables from state and local grant sources. The information in the SEFA is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3 – INDIRECT COST RATE

The Authority did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

DRAFT

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

To the Administration and Finance Committee and Board of Directors
Central Contra Costa Transit Authority
Concord, 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 basic financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the fiscal year ended June 30, 2021, and related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated __________, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

DRAFT

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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 Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
__________, 2022

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Administration and Finance Committee and Board of Directors
Central Contra Costa Transit Authority
Concord, California

Report on Compliance with Transportation Development Act Requirements

We have audited the Central Contra Costa Transit Authority's (the Authority) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the Authority were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

Auditor's Responsibility

Our responsibility is to express an opinion on each of the Authority's compliance requirements referred to in Section 6667, which requires that, for a transit claimant, the independent auditor will perform at least the following tasks:

(a) Determine whether the claimant was an entity eligible to receive the funds allocated to it;
(b) Determine whether the claimant is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99234;
(c) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5, and 99277 for Article 4.5 claimants; Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract; and Section 99405(d) for transportation services provided by cities and countries with populations of less than 5,000;
(d) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation planning agency and in compliance with the allocation instructions and resolutions;
(e) Determine whether interest earned on funds received by the claimant, pursuant to the TDA, were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, and 99301.6;
(f) Verify the amount of the claimant's operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5, and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2;

(g) Verify the amount of the claimant's actual fare revenues for the fiscal year;
(h) Verify the amount of the claimant's actual local support for the fiscal year;
(i) Verify the amount of the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649;
(j) Verify, if applicable, the amount of the operator's expenditure limitation in accordance with Section 6633.1;
(k) In the case of an operator, determine whether the operator's employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, and 99273;
(l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251;
(m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7; and
(n) In the case of a claimant for community transit services, determine whether it is in compliance with Public Utilities Code Sections 99155 and 99155.5.

Compliance with the requirements referred to above is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

Report on Public Transportation Modernization, Improvement, and Service Enhancement Account

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the $19.925 billion of state general obligation bonds authorized, $4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

Additionally, Section 8879.23 (h) directs that $1 billion dollars be deposited in the Transit System Safety, Security, and Disaster Response Account. This section further directs that $100 million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security, and disaster response projects. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

As of June 30, 2021, all Proposition 1B funds received and expended were verified in the course of our current audits as follows:

Balance – beginning of the year	$ 2,776,675
Proceeds received:	
PTMISEA	-
Interest earned	15,329
Expenses incurred:	
Rolling stock replacement, facility rehab, and lifeline bus stop	267,358
Unexpended proceeds, June 30, 2021	$ 2,524,646

Opinion on Compliance

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the Authority for the fiscal year ended June 30, 2021.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
__________, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Administration and Finance Committee and Board of Directors
Central Contra Costa Transit Authority
Concord, California

Report on Compliance for Each Major Federal Program

We have audited the Central Contra Costa Transit Authority's (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the fiscal year ended June 30, 2021. The Authority's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002, that we consider to be a material weakness.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
__________, 2022

STATISTICAL SECTION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2021
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Operating Revenues										
Passenger fares	$ 1,348,037	$ 3,043,712	$ 3,383,189	$ 3,221,580	$ 3,275,964	$ 3,549,944	$ 3,759,432	$ 3,935,630	$ 4,057,759	$ 4,040,761
Special transit fares	350,308	1,652,117	1,833,494	1,635,867	1,480,747	1,440,678	1,386,527	1,169,473	1,061,609	949,720
Total Operating Revenues	1,698,345	4,695,829	5,216,683	4,857,447	4,756,711	4,990,622	5,145,959	5,105,103	5,119,368	4,990,481
Operating Expenses										
Salaries and benefits	24,128,547	25,322,594	25,441,759	24,101,090	23,779,117	22,863,358	20,582,768	20,883,813	19,427,193	18,832,831
Materials and supplies	2,289,007	2,468,857	2,777,883	2,529,044	2,118,404	2,273,864	2,761,506	3,136,172	3,137,777	3,206,531
Services	1,746,263	1,869,379	1,933,459	1,744,973	1,751,238	1,697,825	1,775,371	1,933,534	1,876,033	1,573,363
Purchased transportation	6,072,093	6,544,224	6,211,639	5,561,256	5,309,756	5,458,921	5,151,072	5,206,741	5,044,664	5,191,808
Insurance	957,458	790,287	763,534	722,556	676,984	685,551	627,088	740,595	381,485	415,417
Other	73,552	147,590	189,045	202,460	210,422	305,691	312,727	286,464	312,151	113,187
Utilities	348,434	365,131	366,642	356,151	320,063	284,645	256,395	284,788	304,463	233,889
Taxes	228,805	237,192	217,950	226,116	184,435	193,913	250,077	325,316	319,107	293,854
Leases and rentals	60,409	60,444	53,508	42,499	48,466	44,983	40,454	36,402	38,175	35,977
Defined benefit pension adjustment	1,445,493	2,120,710	642,776	1,807,421	(17,761)	(1,169,716)	-	-	-	-
Other postemployment benefits (OPEB) adjustment	(554,446)	(461,471)	(376,320)	(224,832)	-	-	-	-	-	-
Depreciation	7,197,115	7,499,707	7,511,790	6,186,320	5,363,010	5,294,062	5,388,083	5,374,167	5,270,234	5,132,487
Total Operating Expenses	43,992,730	46,964,644	45,733,665	43,255,054	39,744,134	37,933,097	37,145,541	38,207,992	36,111,282	35,029,344
Operating Loss	(42,294,385)	(42,268,815)	(40,516,982)	(38,397,607)	(34,987,423)	(32,942,475)	(31,999,582)	(33,102,889)	(30,991,914)	(30,038,863)
Nonoperating Revenues										
Federal operating assistance [b]	2,371,121	8,339,542	1,703,403	1,655,674	1,002,950	2,237,709	1,376,873	1,881,018	2,699,912	3,939,169
State and local operating assistance	31,591,217	23,943,345	30,136,010	27,996,289	27,891,975	25,713,041	25,324,446	25,117,180	22,293,230	20,280,117
Advertising revenue	95,263	479,408	618,416	615,631	608,420	599,100	586,768	579,738	574,912	537,546
Interest income	36,814	268,607	253,675	118,161	38,789	40,642	15,307	14,602	16,340	14,988
Other revenue	84,977	78,968	102,245	108,077	83,538	82,784	93,083	91,313	85,865	100,627
Interest expense	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on sale of capital assets	26,883	-	(6,944)	211,840	14,479	135,603	3,706	(44,703)	8,340	12,631
Total Nonoperating Revenues	34,206,275	33,109,870	32,806,805	30,705,672	29,640,151	28,808,879	27,400,183	27,639,148	25,678,599	24,885,078
Net Loss Before Capital Contributions	(8,088,110)	(9,158,945)	(7,710,177)	(7,691,935)	(5,347,272)	(4,133,596)	(4,599,399)	(5,463,741)	(5,313,315)	(5,153,785)
Capital Contributions										
Grants restricted for capital expenses (Note 3)	420,944	968,706	7,088,596	2,850,624	19,010,487	17,447,423	2,935,527	4,967,261	6,218,439	4,354,568
Prior Period Adjustment [a]	-	-	-	(5,971,222)	-	-	(5,057,126)	-	-	-
Increase (Decrease) in Net Position	(7,667,166)	(8,190,239)	(621,581)	(10,812,533)	13,663,215	13,313,827	(6,720,998)	(496,480)	905,124	(799,217)
Beginning Net Position, as Restated	36,835,762	45,026,001	45,647,582	56,460,115	42,796,900	29,483,073	36,204,071	36,700,551	35,795,427	36,594,644
Ending Net Position, as Restated	$ 29,168,596	$ 36,835,762	$ 45,026,001	$ 45,647,582	$ 56,460,115	$ 42,796,900	$ 29,483,073	$ 36,204,071	$ 36,700,551	$ 35,795,427

[a] Prior Period adjustments:

FY 2018 was implementation of GASB Statement No. 75 for Other Postemployment Benefits.

FY 2015 was implementation of GASB Statement No. 68 for Pension Benefits.

[b] Federal operating assistance includes $6,911,064 in FTA CARES Act funds in FY 2020.

FINDINGS AND QUESTIONED COSTS SECTION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2021

Section I – Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Deficiencies or significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

B. Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Deficiencies or significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

C. Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
CFDA Number 20.507	Federal Transit Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Finding 2021 – 001 – Schedule of Expenditures of Federal Awards (Other Matter)

Condition

During our review of the Schedule of Expenditures of Federal Awards (SEFA), we noted the Authority did not initially prepare the SEFA to include expenditures for the period covered by the Authority's financial statements. Once the Authority was made aware of this requirement, the SEFA was properly updated to include expenditures for the period covered by the Authority's financial statements.

Criteria

2 CFR Part 200, Subpart F (Uniform Guidance) Section 200.502 requires the auditee to prepare an accurate SEFA for the period covered by the auditee's financial statements.

Cause of Condition

Due to the Authority's turnover in the positions in charge of preparing the SEFA, there was lack of internal control over preparation of the SEFA.

Potential Effect of Condition

The Authority's SEFA was initially materially misstated and therefore not in compliance with Federal regulations.

Recommendation

We recommend that the Authority develop and implement a system of internal controls for the preparation of the SEFA for financial reporting purposes and compliance with auditee requirements identified in the Uniform Guidance.

Management Response

Authority Management agrees to the recommendation and will review and revise its SEFA preparation procedures.

Finding 2021 – 002 – Inventory Count Errors and Obsolete Inventory

Condition

During our observation of the inventory count, we noted inventory count differences in comparison to the final inventory count recorded in the Authority's inventory system which is then adjusted in its general ledger system. We also noted data input errors and obsolete inventory not being removed from the inventory system. Due to COVID-19, the Authority was required to use minimal amount of staff in performing the count as recommended by Centers for Disease Control and Prevention (CDC) to maintain social distancing. Also, the Authority had turnover in key personnel who managed and assisted in prior inventory counts. The combination of both these factors affected the accuracy of the inventory count.

Criteria

Government Accounting Standards requires entities to establish controls over financial reporting for inventory count accuracy. The entity must recognize the cost associated with obsolete inventory fully in the period in which they are identified.

Cause of Condition

During the inventory count, there was a lack of oversight in accurate reporting of the inventory count and/or data entry review process to ensure the accuracy of the final count. In addition, the policies for proper disposal of obsolete inventory were not properly implemented.

Potential Effect of Condition

The error in reporting inventory may cause an overstatement or understatement of assets and could adversely affect the income statement. The misstatement can affect more than one reporting period.

Recommendation

We recommend, due to staff turnover, the Authority review and revise the inventory count procedures to include review procedures of the final inventory count and data entry procedures to ensure completeness before submitting final counts for record keeping. These procedures are recommended to increase oversight over the inventory count to ensure that the inventory count policies and procedures are followed. In addition, we recommend the Authority dispose of obsolete inventory by physically removing the item from the warehouse and inventory account. The obsolete inventory should be written off as it is disposed.

Management Response

Authority management agrees to the recommendation and will continue to review and revise its inventory count policies and procedures.

Section III – Federal Awards Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit (June 30, 2020) Findings and Current Year Status

Finding 2020 – 001 – Inventory Count Errors and Obsolete Inventory

Condition

During our observation of the inventory count, we noted inventory count differences in comparison to the final inventory count recorded in the Authority's inventory system which is then adjusted in its general ledger system. We also noted data input errors and obsolete inventory not being removed from the inventory system. Due to COVID-19, the Authority was required to use minimal amount of staff in performing the count as recommended by Centers for Disease Control and Prevention (CDC) to maintain social distancing. Also, the Authority had turnover in key personnel who managed and assisted in prior inventory counts. The combination of both these factors affected the accuracy of the inventory count.

Criteria

Government Accounting Standards requires entities to establish controls over financial reporting for inventory count accuracy. The entity must recognize the cost associated with obsolete inventory fully in the period in which they are identified.

Cause of Condition

During the inventory count, there was a lack of oversight in accurate reporting of the inventory count and/or data entry review process to ensure the accuracy of the final count. In addition, the policies for proper disposal of obsolete inventory were not properly implemented.

Potential Effect of Condition

The error in reporting inventory may cause an overstatement or understatement of assets and could adversely affect the income statement. The misstatement can affect more than one reporting period.

Recommendation

We recommend, due to staff turnover, the Authority review and revise the inventory count procedures to include review procedures of the final inventory count and data entry procedures to ensure completeness before submitting final counts for record keeping. These procedures are recommended to increase oversight over the inventory count to ensure that the inventory count policies and procedures are followed. In addition, we recommend the Authority dispose of obsolete inventory by physically removing the item from the warehouse and inventory account. The obsolete inventory should be written off as it is disposed.

Management Response

Authority management agrees to the recommendation and will review and revise its inventory count policies and procedures.

Current Year Status

See current year Finding 2021-002.

DRAFT

REQUIRED COMMUNICATION TO THE ADMINISTRATION AND FINANCE COMMITTEE AND BOARD OF DIRECTORS IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Administration and Finance Committee
and Board of Directors
Central Contra Costa Transit Authority
Concord, California

We have audited the basic financial statements of the Central Contra Costa Transit Authority (the Authority) for the fiscal year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards,* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 3, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2021. We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's basic financial statements were:

- Estimated Useful Lives of Capital Assets – Management estimates the lives of capital assets for purposes of calculating annual depreciation expense to be reported in the Authority's Statement of Revenues, Expenses, and Changes in Net Position. Estimated useful lives range from 9 to 13 years for revenue transit vehicles; 3 to 10 years for shop, office, other equipment, and service vehicles; and 30 years for building and structures.

- Self-Insurance Liability – This represents management's estimate of the liability for public liability claims and workers' compensation claims to be paid for which the Authority is self-insured, and includes management's estimate of the ultimate costs for both reported claims and claims incurred but not reported.

DRAFT

- Net Pension Liability and Postemployment Benefits Other than Pension Benefits (OPEB) Liability – These are based on actuarial evaluations, which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

We evaluated the key factors and assumptions used to develop the accounting estimates used in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to basic financial statement users. The most sensitive disclosures affecting the basic financial statements were the disclosures of capital assets and depreciation, employees' retirement pension plan and the net pension liability, risk management self-insurance liability, and the OPEB plan and the net OPEB liability in Notes 5, 7, 8, and 11, respectively, of the basic financial statements.

The basic financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any significant misstatements as a result of our audit procedures.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated ________, 2022.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

We applied certain limited procedures to the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Investment Returns – Pension, Schedule of Contributions – Pension, Schedule of Changes in the OPEB Liability and Related Ratios, Schedule of Investment Returns – OPEB, and Schedule of Contributions – OPEB, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on schedule of expenditures of federal awards, which accompanies the basic financial statements but is not RSI. With respect to this supplementary schedule, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the basic financial statements. We compared and reconciled the supplementary schedule to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the statistical section, which accompanies the basic financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Administration and Finance Committee, Board of Directors, and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
______, 2022

DRAFT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Administration and Finance Committee
Central Contra Costa Transit Authority
Concord, California

We have performed the procedures enumerated below, which were agreed to by the Central Contra Costa Transit Authority (the Authority), solely to assist you with reviewing the State Transit Assistance (STA) and Transportation Development Act (TDA) funds allocated by the Metropolitan Transportation Commission (MTC), to review the cost of diesel fuel purchased by the Authority, and to review the California Public Employees' Retirement System (PERS) benefits paid by the Authority for the fiscal year ended June 30, 2021, and compare to the prior fiscal year ended June 30, 2020. Management is responsible for the Authority's accounting records. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

1) Obtained the Authority's final amounts of TDA and STA funds received according to MTC for the fiscal years ended June 30, 2021 and 2020. Verified that the MTC allocation for fiscal year 2021 was not reduced from the allocation in 2020.

   Finding: The 2021 MTC final TDA allocation was not reduced from the prior year allocation. However, the STA allocation was reduced from the prior year allocation. Refer to the attached schedule.

2) Obtained the cost of the diesel fuel purchased by the Authority for the fiscal years ended June 30, 2021 and 2020. Verified that the average cost of diesel fuel purchased in fiscal year 2021 did not increase by $500,000 over the prior fiscal year or $0.75 per gallon when compared to the average cost in fiscal year 2020.

   Finding: The 2021 diesel fuel purchased by the Authority for the fiscal year ended June 30, 2021, did not increase by $500,000 over the prior year or $0.75 per gallon when compared to the average cost in fiscal year 2020. Refer to the attached schedule.

3) Obtained a schedule of the PERS benefits, other than Other Postemployment Benefits (OPEB), paid by the Authority for the fiscal years ended June 30, 2021 and 2020. Verified that the increase for fiscal year 2021 over fiscal year 2020 did not exceed $1,000,000.

   Finding: The PERS benefits (other than OPEB) paid by the Authority for the fiscal year ended June 30, 2021, did not exceed $1,000,000 over fiscal year 2020. Refer to the attached schedule.

DRAFT

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Authority's administration and finance committee and management and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
__________, 2022

DRAFT

Criteria	Description of Criteria	Revenue	2021	2020	$ Change
(a)	Final amount of STA or TDA funds per MTC - must not be reduced from the prior year.				
		TDA 4.0	$ 20,556,256	$ 18,601,386	
		TDA 4.5	951,046	863,122	
	Total TDA		21,507,302	19,464,508	$ 2,042,794
		STA Pop-County Block Grant	3,913,015	4,768,040	
		STA Rev based	606,534	759,609	
	Total STA		4,519,549	5,527,649	(1,008,100)
	Total STA and TDA		$ 26,026,851	$ 24,992,157	$ 1,034,694
(b)	Cost of diesel fuel purchased by the Authority (increase is not greater than $500,000 from prior year). This increase will occur if the average cost of diesel fuel purchased during fiscal year 2021 increased by $0.75 per gallon when compared to the average in fiscal year 2020.		$ 1,018,675	$ 1,173,404	$ (154,729)
(c)	PERS benefits paid by the Authority, other than OPEB, did not increase by over $1,000,000 from the prior year.		$ 2,192,667	$ 2,022,875	$ 169,792