

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
CONCORD, CALIFORNIA**

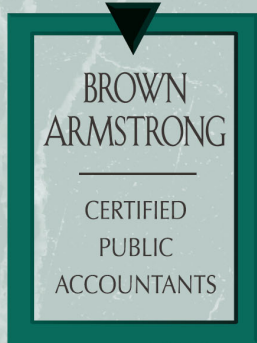
**BASIC FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020**

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
JUNE 30, 2020**

**TABLE OF CONTENTS**

	<u>Page</u>
 <u>Financial Section</u>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	4
 <u>Basic Financial Statements</u>	
Statement of Net Position .....	9
Statement of Revenues, Expenses, and Changes in Net Position.....	10
Statement of Cash Flows .....	11
Notes to Basic Financial Statements .....	13
 <u>Required Supplementary Information</u>	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	35
Schedule of Investment Returns – Pension.....	37
Schedule of Contributions – Pension.....	38
Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios .....	39
Schedule of Investment Returns – OPEB.....	40
Schedule of Contributions – OPEB.....	41
 <u>Supplementary Schedule and Other Reports</u>	
Schedule of Expenditures of Federal Awards.....	42
Notes to Schedule of Expenditures of Federal Awards .....	43
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 <i>Government Auditing Standards</i> .....	44
Independent Auditor's Report on State Compliance.....	46
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	49
 <u>Statistical Section</u>	
Schedule of Revenues, Expenses, and Changes in Net Position – Last 10 Fiscal Years .....	51
 <u>Findings and Questioned Costs Section</u>	
Schedule of Findings and Questioned Costs.....	52



# BROWN ARMSTRONG

*Certified Public Accountants*

## 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, 2020, 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.

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## **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, 2020, 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 an opinion or provide any assurance on the statistical section.

### *Report on Summarized Comparative Information*

We have previously audited the Authority's June 30, 2019, basic financial statements, and our report dated December 9, 2019, 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, 2019, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, 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

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 9, 2020

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**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, 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 and deferred outflows of resources and 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 \$4,695,829, while operating expenses were \$46,964,644. The Authority is able to cover most of its operating expenses through operating revenue and grants from federal, state, and local agencies.

## Statements of Net Position

A comparison of the Authority's Statements of Net Position as of June 30, 2020 and 2019, is as follows:

	2020	2019	2020 to 2019 Increase/Decrease	
			Amount	%
Current assets	\$ 26,001,836	\$ 18,635,078	\$ 7,366,758	39.53%
Noncurrent assets	47,773,076	54,342,077	(6,569,001)	-12.09%
Total assets	73,774,912	72,977,155	797,757	1.09%
Deferred outflows of resources	3,773,761	5,290,416	(1,516,655)	-28.67%
Total assets and deferred outflows of resources	\$ 77,548,673	\$ 78,267,571	\$ (718,898)	-0.92%
Current liabilities	\$ 22,992,188	\$ 16,135,471	\$ 6,856,717	42.49%
Noncurrent liabilities	14,073,343	13,759,989	313,354	2.28%
Total liabilities	37,065,531	29,895,460	7,170,071	23.98%
Deferred inflows of resources	3,647,380	3,346,110	301,270	9.00%
Net position				
Net investment in capital assets	47,773,076	54,304,077	(6,531,001)	-12.03%
Unrestricted net position	(10,937,314)	(9,278,076)	(1,659,238)	-17.88%
Total net position	36,835,762	45,026,001	(8,190,239)	-18.19%
Total liabilities, deferred inflows of resources, and net position	\$ 77,548,673	\$ 78,267,571	\$ (718,898)	-0.92%

The Authority's net position decreased \$8,190,239 for a balance of \$36,835,762 as of June 30, 2020. The decrease in net position is a combination of depreciation expense and defined pension expense. In fiscal year (FY) 2020, depreciation expense of \$7,499,707 was mainly on buses and paratransit vehicles for \$6,442,734. 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 \$2,120,710. This is slightly offset by interest income earned in Other Post-Employment Benefits (OPEB) for \$461,671.

The Authority's current liabilities increased \$6,856,717, as the amount owed to Metropolitan Transportation Commission (MTC) for Transportation Development Act (TDA) advances grew \$7,566,986 to \$14,328,745. Due to the Coronavirus (COVID-19) pandemic, the Authority received federal funding through the CARES Act for \$6,911,064, combined with lower expenses, meant less TDA funds were needed in FY 2020. Noncurrent liabilities increased \$313,354 as net pension liability and self-insurance liabilities increased by \$1,086,585 and \$599,951, respectively. This was offset by OPEB liability decreasing by \$1,245,269 (see Notes 7, 8, 11, and 12 in the basic financial statements for further details).

## 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 2020 and 2019 is as follows:

	2020	2019	2020 to 2019 Increase/Decrease	
			Amount	%
Operating revenues	\$ 4,695,829	\$ 5,216,683	\$ (520,854)	-9.98%
Operating expenses	(46,964,644)	(45,733,665)	1,230,979	2.69%
Operating loss	(42,268,815)	(40,516,982)	(1,751,833)	-4.32%
Nonoperating revenues	33,109,870	32,806,805	303,065	0.92%
Capital contributions	968,706	7,088,596	(6,119,890)	-86.33%
Increase (Decrease) in net position	\$ (8,190,239)	\$ (621,581)	\$ (7,568,658)	1217.65%

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Position is state and local operating assistance for \$23,943,345 (63% of revenue in FY 2020, 79% of revenue in FY 2019). 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 \$8,390,826 in FY 2020. The second largest source of revenue is from CCTA Measure J, a countywide ½ cent sales tax, from which the Authority received \$6,774,325. The third largest revenue source is STA, which is sales tax on diesel fuel and represented \$5,939,249. As noted earlier, the Authority received \$6,911,064 in federal CARES Act funding to assist with COVID-19. Finally, capital contributions decreased \$6,119,890 to \$968,706 with purchases of paratransit vans and electric charging infrastructure completed in the prior year.

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 \$26,981,833 or 57% of operating expenses. The next two largest categories of expense are purchased transportation (the cost of providing public transportation through an independent private contractor) for \$6,544,224 (14% of operating expenses) and depreciation of capital assets for \$7,499,707 (16% of operating expenses).

Selected revenue increases (decreases) change from prior year:

	2020	2019	2020 to 2019 Increase/ Decrease
Passenger revenue	\$ 3,043,712	\$ 3,383,189	\$ (339,477)
Special transit fares	1,652,117	1,833,494	(181,377)
Federal operating assistance	8,339,542	1,703,403	6,636,139
State and local operating assistance	23,943,345	30,136,010	(6,192,665)

In FY 2020, the Authority received \$36,978,716 based on the categories above, which represent 98% of operating and nonoperating revenues. Fare revenue decreased \$339,477, or 10%. This is due to stopping fare collections in mid-March to protect riders and Authority employees from COVID-19. Special transit fares decreased \$181,377 or 10% due to COVID-19 and fewer scheduled Bay Area Rapid Transit (BART) Bus Bridges in the current fiscal year. The Authority received \$8,339,542 in federal operating assistance, which is an increase of \$6,911,064 due to the CARES Act funding. This was offset by less TDA revenue needing to be used and reflected in the decrease in state and local operating assistance.



## Capital Assets

Details of the capital assets, including assets acquired under capital lease, net of accumulated depreciation as of June 30, 2020 and 2019, are as follows:

	2020	2019	2020 to 2019 Increase/(Decrease)	
			Amount	%
Land and land improvements	\$ 5,144,554	\$ 5,144,554	\$ -	0.00%
Construction in process	270,476	74,747	195,729	261.86%
Shop, office, other equipment, and service vehicles	5,685,368	5,316,162	369,206	6.94%
Buildings and structures	20,484,719	20,322,545	162,174	0.80%
Revenue vehicles	<u>75,319,640</u>	<u>75,191,417</u>	<u>128,223</u>	0.17%
Total	106,904,757	106,049,425	855,332	0.81%
Less accumulated depreciation	<u>(59,131,681)</u>	<u>(51,707,348)</u>	<u>(7,424,333)</u>	-14.36%
Net total	<u>\$ 47,773,076</u>	<u>\$ 54,342,077</u>	<u>\$ (6,569,001)</u>	-12.09%

At June 30, 2020, the Authority's net capital assets decreased \$6,569,001 due mainly to depreciation on revenue vehicles. The Authority did not have any major purchases of capital in the current 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, 2020, the Authority's noncurrent liabilities balance was \$14,073,343 compared to \$13,759,989 at June 30, 2019, 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 \$8,493,326 to \$9,579,911 for FY 2020, offset by lower OPEB liability from \$4,327,577 to \$3,082,308 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. The goal was to restructure the service for increased productivity by aligning service with demand. Total revenue hours were estimated to decrease, some routes increased service that showed demand while other routes were decreased or removed. At the same time, the Authority implemented a fare increase for the first time since 2009 and eliminated the paper products (i.e., punch cards, paper monthly passes, and paper transfers) while promoting the Clipper card to replace the value of those products. The Clipper card allows for a reloadable contactless smart card for electronic fare payment throughout the Bay Area transit system. 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, we stopped collection of fare revenues to allow for rear boarding for the health and safety of riders and staff. In May, the County began easing some of the initial restrictions from the SIP as the positivity and hospitalization rates were declining, but by late June, some of the restrictions were reimplemented. Based on the current COVID-19 data, those restrictions are beginning to ease, but at a much slower pace and schools throughout the County have started the year with distance learning.

Due to COVID-19 and the SIP order for the health and safety of the population, the financial impact is being felt by most Californians. The Contra Costa/Alameda Counties unemployment rate rose from 3.3% in July 2019 to 13.8% in May 2020 and has come down slightly to 12% in July 2020. The largest declines are in the leisure, retail, and hospitality sectors. 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 and received \$6.9 million of this funding at the end of FY 2020.

MTC notified transit agencies that it would reduce revenue allocations for TDA and State Transit Assistance (STA) funding by 25% and 40%, respectively, from original estimates due to potential revenue loss from COVID-19. It would revisit this assumption in calendar year 2021 as more financial information becomes available. Assuming no changes to budgeted expenses and no additional revenue, even with the CARES Act funding, we will overspend by \$8.9 million and bring our TDA reserves to \$17.1 million by the end of FY 2021. By the end of FY 2023, we would have a negative TDA reserve of \$3.4 million. A slight glimpse of positive news was that the original estimates from 4th quarter sales tax losses ranged from 10% to 35% throughout the Bay Area prior to June 30<sup>th</sup>. The actual sales tax loss for Contra Costa County appears to be around 2% compared to the same quarter in the previous year. The data for first quarter of FY 2021 will not be available until late November/early December. The Authority Board authorized staff to proceed with various options for service reductions that could be implemented in calendar year 2021 with the uncertainty of revenues due to the impact of COVID-19.

### **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 Erick Cheung, Chief Finance Officer, at 2477 Arnold Industrial Way, Concord, California 94520.

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020 (WITH COMPARATIVE TOTALS)**

	2020	2019
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 14,990,473	\$ 13,364,137
Capital and operating grants receivable	9,584,011	3,174,049
Materials and supplies	913,142	907,214
Other receivables	418,270	1,041,219
Prepaid expenses	95,940	148,459
Total Current Assets	26,001,836	18,635,078
Noncurrent Assets		
Capital assets, net, including assets acquired under capital lease (Note 5)	47,773,076	54,342,077
Total Noncurrent Assets	47,773,076	54,342,077
Total Assets	73,774,912	72,977,155
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 7 and Note 11)</b>		
Other postemployment benefits (OPEB)	735,733	691,753
Pension	3,038,028	4,598,663
Total Deferred Outflows of Resources	3,773,761	5,290,416
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 77,548,673</b>	<b>\$ 78,267,571</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 1,812,419	\$ 1,480,551
Capital lease (Notes 12)	-	38,000
Due to other government, TDA payable (Note 13)	14,328,745	6,761,759
Advances from contracts	-	297,502
Advances from LCTOP	306,279	325,624
Advances from MTC	897,121	878,887
Advances from PTMISEA (Note 6)	2,776,675	3,049,577
Compensated absences (Note 12)	928,383	822,113
Other accrued liabilities	839,717	845,691
Self-insurance liabilities (Notes 8 and 12)	1,102,849	1,635,767
Total Current Liabilities	22,992,188	16,135,471
Noncurrent Liabilities		
Compensated absences (Note 12)	500,653	628,566
Self-insurance liabilities (Notes 8 and 12)	910,471	310,520
Net OPEB liability (Note 11)	3,082,308	4,327,577
Net pension liability (Note 7)	9,579,911	8,493,326
Total Noncurrent Liabilities	14,073,343	13,759,989
Total Liabilities	37,065,531	29,895,460
<b>DEFERRED INFLOWS OF RESOURCES (Note 7 and Note 11)</b>		
OPEB	2,562,026	1,734,246
Pension	1,085,354	1,611,864
Total Deferred Inflows of Resources	3,647,380	3,346,110
<b>NET POSITION</b>		
Net investment in capital assets	47,773,076	54,304,077
Unrestricted	(10,937,314)	(9,278,076)
Total Net Position	36,835,762	45,026,001
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 77,548,673</b>	<b>\$ 78,267,571</b>

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS)**

	2020	2019
Operating Revenues		
Passenger fares	\$ 3,043,712	\$ 3,383,189
Special transit fares	1,652,117	1,833,494
	4,695,829	5,216,683
Operating Expenses		
Salaries and benefits	25,322,594	25,441,759
Materials and supplies	2,468,857	2,777,883
Services	1,869,379	1,933,459
Purchased transportation	6,544,224	6,211,639
Insurance	790,287	763,534
Other	147,590	189,045
Utilities	365,131	366,642
Taxes	237,192	217,950
Leases and rentals	60,444	53,508
Defined benefit pension adjustment	2,120,710	642,776
OPEB adjustment	(461,471)	(376,320)
Depreciation	7,499,707	7,511,790
	46,964,644	45,733,665
Operating Loss	(42,268,815)	(40,516,982)
Nonoperating Revenues		
Federal operating assistance	8,339,542	1,703,403
State and local operating assistance	23,943,345	30,136,010
Advertising revenue	479,408	618,416
Interest income	268,607	253,675
Other revenue	78,968	102,245
Loss on sale of capital assets	-	(6,944)
	33,109,870	32,806,805
Net Loss Before Capital Contributions	(9,158,945)	(7,710,177)
Capital Contributions		
Grants restricted for capital expenses (Note 3)	968,706	7,088,596
Decrease in Net Position	(8,190,239)	(621,581)
Total Net Position, Beginning of Year	45,026,001	45,647,582
Total Net Position, End of Year	\$ 36,835,762	\$ 45,026,001

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 5,318,778	\$ 4,942,688
Payments to employees (salaries and benefits)	(25,283,176)	(24,990,348)
Payments to suppliers	<u>(12,197,547)</u>	<u>(12,076,769)</u>
Net Cash Used in Operating Activities	<u>(32,161,945)</u>	<u>(32,124,429)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal operating grants	1,966,616	1,614,069
State and local operating grants	31,570,015	30,570,841
Other noncapital revenue	<u>260,874</u>	<u>723,165</u>
Net Cash Provided by Noncapital Financing Activities	<u>33,797,505</u>	<u>32,908,075</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	-	3,803
Principal payments on capital lease	(38,000)	(38,000)
Capital grants received	597,973	9,765,940
Capital asset purchases	<u>(837,804)</u>	<u>(9,050,546)</u>
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	<u>(277,831)</u>	<u>681,197</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>268,607</u>	<u>253,675</u>
Net Increase in Cash and Cash Equivalents	1,626,336	1,718,518
Cash and Cash Equivalents, Beginning of Year	<u>13,364,137</u>	<u>11,645,619</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 14,990,473</u></u>	<u><u>\$ 13,364,137</u></u>

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS)**

	2020	2019
Operating Loss	\$ (42,268,815)	\$ (40,516,982)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	7,499,707	7,511,790
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) Decrease in receivables	622,949	(273,995)
(Increase) Decrease in materials and supplies	(5,928)	7,469
(Increase) Decrease in prepaid expenses	52,519	(47,813)
Increase in accounts payable	238,966	477,235
Increase in net pension liability and related items	2,120,710	642,776
Decrease in net OPEB liability and related items	(461,469)	(376,320)
Increase in other liabilities and compensated absences	39,416	451,411
Net Cash Used in Operating Activities	<u>\$ (32,161,945)</u>	<u>\$ (32,124,429)</u>

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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 \$968,706 for the fiscal year ended June 30, 2020.

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, 2020, 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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **G. Self-Insurance Liabilities**

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. Capital and Operating Grants**

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. Defined Benefit Pension**

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. Defined Benefit Other Postemployment Benefit (OPEB)**

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, transit operators, and continue to the surviving spouses.

### **K. Compensated Absences**

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 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 Transportation Assistance**

Federal Transportation Assistance 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. New GASB Statement Implementation

GASB Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, was implemented during the fiscal year ended June 30, 2020. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides. These provisions either first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Providing governments with sufficient time to apply authoritative guidance addressed in this statement will help safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements.

N. Subsequent Events

Subsequent events were evaluated through December 9, 2020, 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		905,882
Investments		14,084,141
		<hr/>
	\$	14,990,473
		<hr/>

**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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, 2020, had a balance of \$101 billion. Of that amount, 3.37% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 191 days as of June 30, 2020.

**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](http://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:

Investment Type	Amount	Remaining Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	\$ 14,084,141	\$ 14,084,141	\$ -	\$ -	\$ -

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)

**Disclosures Relating to Interest Rate Risk** (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
LAIF	\$ 14,084,141	N/A	\$ -	\$ -	\$ -	\$ 14,084,141

**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: \$759,471 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, 2020.

**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, 2020.

**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	\$ 336,806
State grants	348,017
TDA (local transportation grants)	<u>283,883</u>
Total Capital Assistance	<u>\$ 968,706</u>

#### **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, 2020, was \$31,511. For the year ended June 30, 2020, the Authority's maximum TDA assistance eligibility was \$9,308,717.

During the fiscal year ended June 30, 2020, the Authority earned \$6,774,325 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, 2020, the Authority earned \$122,280 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 our onboard technology. The Authority also earned other state and local operating assistance of \$738,023, 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 \$1,380,000. 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 CARES Act for \$6,911,064 that, in combination with lower expenses, meant less TDA funds were needed in FY 2020.

## **NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

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

	Balance June 30, 2019	Additions	Reclassifications and Deletions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Construction in process	\$ 74,747	\$ 195,729	\$ -	\$ 270,476
Land	2,704,785	-	-	2,704,785
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,779,532</b>	<b>195,729</b>	<b>-</b>	<b>2,975,261</b>
Capital Assets Being Depreciated:				
Land improvements	2,439,769	-	-	2,439,769
Shop, office, other equipment, and service vehicles	5,316,162	396,075	(26,869)	5,685,368
Buildings and structures	20,322,545	162,174	-	20,484,719
Revenue vehicles	75,191,417	176,728	(48,505)	75,319,640
<b>Total Capital Assets Being Depreciated</b>	<b>103,269,893</b>	<b>734,977</b>	<b>(75,374)</b>	<b>103,929,496</b>
Less Accumulated Depreciation for:				
Land improvements	2,204,154	34,095	-	2,238,249
Shop, office, other equipment, and service vehicles	4,126,545	371,956	(26,869)	4,471,632
Buildings and structures	14,120,274	650,922	-	14,771,196
Revenue vehicles	31,256,375	6,442,734	(48,505)	37,650,604
<b>Total Accumulated Depreciation</b>	<b>51,707,348</b>	<b>7,499,707</b>	<b>(75,374)</b>	<b>59,131,681</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>51,562,545</b>	<b>(6,764,730)</b>	<b>-</b>	<b>44,797,815</b>
<b>Total Capital Assets, Net</b>	<b>\$ 54,342,077</b>	<b>\$ (6,569,001)</b>	<b>\$ -</b>	<b>\$ 47,773,076</b>

Depreciation expense for the fiscal year ended June 30, 2020, was \$7,499,707.

## **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, 2020, the Authority received \$0 in funds, and earned interest of \$60,398 from the State's PTMISEA account. As of June 30, 2020, there were \$333,300 of expenses incurred related to rolling stock replacement, facility rehabilitation, and lifeline bus stop. The remaining proceeds of \$2,776,675, 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	\$ 3,049,577
Proposition 1B (PTMISEA) funds allocated	-
Proposition 1B (PTMISEA) interest earned	60,398
Proposition 1B (PTMISEA) expenses	<u>(333,300)</u>
<b>Advances from PTMISEA, end of year</b>	<b><u>\$ 2,776,675</u></b>



## 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, 2020, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to</u> <u>January 1, 2013</u>	<u>On or after</u> <u>January 1, 2013</u>
Hire Date		
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	6.943%	7.250%
Required Employer Contribution Rates	8.313%	8.313%

**Employees Covered** – At June 30, 2020, the following employees were covered by the benefit terms for the Plan as of the June 30, 2018 actuarial valuation:

	<u>Miscellaneous</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	197
Inactive Employees Entitled to but not yet Receiving Benefits	180
Active Employees	<u>251</u>
Total	<u><u>628</u></u>

**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

**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, 2019 (the measurement date), the classic (prior to January 1, 2013) active employee contribution rate is 6.943% 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 8.313% 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, 2019, using an annual actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
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. <sup>(1)</sup>
Post-Retirement Benefit Increase	The lesser of contract cost of living adjustment (COLA) or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

<sup>(1)</sup> 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, 2018 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](http://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

**NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN** (Continued)

B. Net Pension Liability (Continued)

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, 2020, 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 <sup>(a)</sup>	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(b)</sup>	Real Return Years 11+ <sup>(c)</sup>
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%		

<sup>(a)</sup> In CalPERS’ CAFR, 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.

<sup>(a)</sup> An expected inflation of 2.00% used for this period.

<sup>(b)</sup> An expected inflation of 2.92% used for this period.

**Annual Money-Weighted Return**

For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expenses, was 6.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**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, 2018 (Valuation Date)	\$ 97,684,476	\$ 89,191,150	\$ 8,493,326
Changes in the year:			
Service Cost	2,340,898	-	2,340,898
Interest on the Total Pension Liability	6,932,405	-	6,932,405
Differences between Expected and Actual Experience	25,006	-	25,006
Changes of Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	1,424,384	(1,424,384)
Contribution - Employee (Paid by Employer)	-	449,362	(449,362)
Contribution - Employee	-	596,997	(596,997)
Net Investment Income	-	5,804,423	(5,804,423)
Administrative Expenses	-	(63,649)	63,649
Other Miscellaneous Income/(Expense)	-	207	(207)
Benefit Payments, Including Refunds of Employee Contributions	(3,846,430)	(3,846,430)	-
Net Changes During 2018-19	5,451,879	4,365,294	1,086,585
Balance at June 30, 2019 (Measurement Date)	\$ 103,136,355	\$ 93,556,444	\$ 9,579,911

**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	\$ 22,714,484	\$ 9,579,911	\$ (1,386,599)

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

**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, 2020, the Authority recognized a defined benefit pension adjustment (pension expense) of \$2,120,710. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 2,022,875	\$ -
Changes of Assumptions	997,292	(260,188)
Differences between Expected and Actual Experience	17,861	(465,149)
Net Differences between Projected and Actual Earnings on Plan Investments	<u>-</u>	<u>(360,017)</u>
Total	<u>\$ 3,038,028</u>	<u>\$ (1,085,354)</u>

\$2,022,875 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Measurement Period Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$ 788,144
2022	(856,909)
2023	(103,276)
2024	<u>101,840</u>
Total	<u>\$ (70,201)</u>

E. Payable to the Pension Plan

At June 30, 2020, the Authority reported a payable of \$85,383 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2020.

**NOTE 8 – RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to tort; 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:

**NOTE 8 – RISK MANAGEMENT** (Continued)

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

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 \$336,600 at June 30, 2020, 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 \$1,676,720 at June 30, 2020, 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 – COMMITMENTS AND CONTINGENCIES**

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 – CASH RESERVE FUNDS**

The Authority has designated two cash reserve funds as follows:

Safe Harbor Lease Reserve

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, 2020, this fund, including accrued interest, totaled \$1,544,657.

**NOTE 10 – CASH RESERVE FUNDS** (Continued)

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, 2020, totaled \$336,600, and for the workers' compensation totaled \$1,676,720.

**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 PEPR 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, 2019 (the census date), the benefit terms covered the following employees:

Retirees and survivors currently receiving benefits	54
Active employees	<u>212</u>
Total	<u><u>266</u></u>

***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, 2019, 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 4.5% annually.

<u>Effective January 1</u>	<u>Premium Increase</u>	<u>Effective January 1</u>	<u>Premium Increase</u>
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, 2019, the annual money-weighted rate of return on investments, net of investment expenses, was 6.23%. 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.

**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, 2019 <i>Measurement Date June 30, 2018</i>	\$ 7,793,004	\$ 3,465,427	\$ 4,327,577
Changes in the Year:			
Service Cost	331,211	-	331,211
Interest	406,509	-	406,509
Expected Investment Income	-	184,385	(184,385)
Employer Contributions	-	606,839	(606,839)
Benefit Payments	(306,893)	(306,893)	-
Assumption Changes	205,894	-	205,894
Plan Experience	(1,357,116)	-	(1,357,116)
Investment Experience	-	40,545	(40,545)
Net Changes	(720,395)	524,876	(1,245,271)
Balance at June 30, 2020 <i>Measurement Date June 30, 2019</i>	\$ 7,072,609	\$ 3,990,303	\$ 3,082,306

***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	\$ 3,914,867	\$ 3,082,306	\$ 2,383,356

***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	\$ 2,598,381	\$ 3,082,306	\$ 3,760,830

**NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)** (Continued)B. Net OPEB Liability (Continued)**OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2020, the Authority recognized an OPEB expense of \$461,471. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 176,354	\$ 579,340
Differences Between Expected and Actual Experience	-	1,982,686
Net Difference Between Projected and Actual Earnings on Investments	29,802	-
Contributions Made Subsequent to the Measurement Date	<u>529,577</u>	<u>-</u>
Total	<u>\$ 735,733</u>	<u>\$ 2,562,026</u>

The \$529,577 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, 2021.

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

<u>For the Fiscal Year Ending June 30,</u>	<u>Recognized Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (485,229)
2022	(485,231)
2023	(491,017)
2024	(507,905)
2025	(226,274)
Thereafter	<u>(160,214)</u>
Total	<u>\$ (2,355,870)</u>

**NOTE 12 – CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities at June 30, 2020, follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Self-Insurance Liabilities	\$ 1,946,287	\$ 829,018	\$ 761,985	\$ 2,013,320	\$ 1,102,849
Compensated Absences	1,450,679	991,507	1,013,150	1,429,036	928,383
Capital Lease	38,000	-	38,000	-	-
<b>Totals</b>	<b>\$ 3,434,966</b>	<b>\$ 1,820,525</b>	<b>\$ 1,813,135</b>	<b>\$ 3,442,356</b>	<b>\$ 2,031,232</b>

**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, 2020. 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)	\$ 17,880,362
Less: applicable expenses	<u>(8,390,826)</u>
Unused portion to revert back to (balance due to) the County's LTF (Current Year)	<u>9,489,536</u>
Prior year unused portion not returned	<u>4,839,209</u>
Total Unused Portion to Revert Back to the County's LTF	<u>\$ 14,328,745</u>
LTF Allocations for Community Transit Services:	
99275 and 99260(a)	\$ 917,891
Less: applicable expenses	<u>(917,891)</u>
Unused portion to revert back to the County's LTF	<u>-</u>
Total Due Back to the County's LTF	<u>\$ 14,328,745</u>

**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 – EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN** (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**

**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, 2020**  
**LAST 10 FISCAL YEARS\***

Measurement Period	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>Total Pension Liability</b>						
Service Cost	\$ 2,340,898	\$ 2,257,838	\$ 2,337,306	\$ 1,945,766	\$ 1,918,011	\$ 1,994,470
Interest on Total Pension Liability	6,932,405	6,570,234	6,322,423	6,022,970	5,722,716	5,409,869
Changes of Benefit Terms	-	-	-	-	-	-
Changes of Assumptions	-	(660,476)	5,271,395	-	(1,429,806)	-
Differences between Expected and Actual Experience	25,006	(932,669)	(516,597)	(800,944)	(576,058)	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(3,846,430)</u>	<u>(3,812,132)</u>	<u>(3,309,790)</u>	<u>(3,141,095)</u>	<u>(2,716,414)</u>	<u>(2,653,773)</u>
Net Change in Total Pension Liability	5,451,879	3,422,795	10,104,737	4,026,697	2,918,449	4,750,566
Total Pension Liability - Beginning	<u>97,684,476</u>	<u>94,261,681</u>	<u>84,156,944</u>	<u>80,130,247</u>	<u>77,211,798</u>	<u>72,461,232</u>
Total Pension Liability - Ending (a)	<u>\$ 103,136,355</u>	<u>\$ 97,684,476</u>	<u>\$ 94,261,681</u>	<u>\$ 84,156,944</u>	<u>\$ 80,130,247</u>	<u>\$ 77,211,798</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 1,424,384	\$ 1,158,215	\$ 1,070,201	\$ 1,272,683	\$ 947,246	\$ 917,689
Contributions - Employee (Paid by Employer)	449,362	586,800	527,557	491,555	432,811	509,838
Contributions - Employee	596,997	470,086	469,913	506,311	515,306	447,265
Net Investment Income	5,804,423	6,979,197	8,507,531	460,130	1,698,644	11,507,514
Benefit Payments, Including Refunds of Employee Contributions	<u>(3,846,430)</u>	<u>(3,812,132)</u>	<u>(3,309,790)</u>	<u>(3,141,095)</u>	<u>(2,716,414)</u>	<u>(2,653,773)</u>
Administrative Expenses	(63,649)	(131,190)	(113,741)	(47,229)	(87,217)	-
Other Miscellaneous Income/(Expense)**	<u>207</u>	<u>(249,340)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	4,365,294	5,001,636	7,151,671	(457,645)	790,376	10,728,533
Plan Fiduciary Net Position - Beginning***	<u>89,191,150</u>	<u>84,189,514</u>	<u>77,037,843</u>	<u>77,495,488</u>	<u>76,705,112</u>	<u>65,976,579</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 93,556,444</u>	<u>\$ 89,191,150</u>	<u>\$ 84,189,514</u>	<u>\$ 77,037,843</u>	<u>\$ 77,495,488</u>	<u>\$ 76,705,112</u>
Net Pension Liability [(a) - (b)]	<u>\$ 9,579,911</u>	<u>\$ 8,493,326</u>	<u>\$ 10,072,167</u>	<u>\$ 7,119,101</u>	<u>\$ 2,634,759</u>	<u>\$ 506,686</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.71%	91.31%	89.31%	91.54%	96.71%	99.34%
Covered Payroll****	\$ 15,239,229	\$ 14,673,672	\$ 14,786,527	\$ 13,915,228	\$ 13,613,535	\$ 13,553,073
Net Pension Liability as a Percentage of Covered Payroll	62.86%	57.88%	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, 2020  
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, 2018 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. 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 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.



**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
 AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
 SCHEDULE OF INVESTMENT RETURNS – PENSION  
 AS OF JUNE 30, 2020  
 LAST 10 FISCAL YEARS\***

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.5%	8.4%	11.2%	0.5%	2.2%	17.7%

**Note to Schedule:**

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN  
SCHEDULE OF CONTRIBUTIONS – PENSION  
AS OF JUNE 30, 2020  
LAST 10 FISCAL YEARS\***

Fiscal Year Ended June 30	2019	2018	2017	2016	2015	2014
Actuarially Determined Contributions	\$ 1,424,384	\$ 1,158,215	\$ 1,070,201	\$ 1,272,683	\$ 947,246	\$ 917,689
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,424,384)</u>	<u>(1,158,215)</u>	<u>(1,070,201)</u>	<u>(1,272,683)</u>	<u>(947,246)</u>	<u>(917,689)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll**	\$ 15,239,229	\$ 14,673,672	\$ 14,786,527	\$ 13,915,228	\$ 13,613,535	\$ 13,553,073
Contributions as a Percentage of Covered Payroll	9.35%	7.89%	7.24%	9.15%	6.96%	6.77%

**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 2019 were from the June 30, 2016 funding valuation report.

Valuation date: June 30, 2016

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	2.75%
Projected salary increases	Varies by entry age and service.
Payroll growth	3.00%
Investment rate of return	7.375% (Net of Pension Plan Investment and Administrative Expenses; includes Inflation)
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

**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, 2020  
LAST 10 FISCAL YEARS\***

Measurement Period	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>			
Service Cost	\$ 331,211	\$ 320,785	\$ 350,850
Interest on the Total OPEB Liability	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	<u>(306,893)</u>	<u>(286,733)</u>	<u>(316,489)</u>
Net Change in Total OPEB Liability	(720,395)	419,166	(1,887,015)
Total OPEB Liability - Beginning	<u>7,793,004</u>	<u>7,373,838</u>	<u>9,260,853</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 7,072,609</u></u>	<u><u>\$ 7,793,004</u></u>	<u><u>\$ 7,373,838</u></u>
<b>OPEB Plan Fiduciary Net Position</b>			
Net Investment Income	\$ 224,930	\$ 80,538	\$ 111,685
Contributions - Employer	606,839	588,345	748,139
Benefit Payments	(306,893)	(286,733)	(316,489)
Administrative Expenses	<u>-</u>	<u>(1,550)</u>	<u>-</u>
Net Change in OPEB Plan Fiduciary Net Position	524,876	380,600	543,335
OPEB Plan Fiduciary Net Position - Beginning	<u>3,465,427</u>	<u>3,084,827</u>	<u>2,541,492</u>
OPEB Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,990,303</u></u>	<u><u>\$ 3,465,427</u></u>	<u><u>\$ 3,084,827</u></u>
Net OPEB Liability [(a) - (b)]	<u><u>\$ 3,082,306</u></u>	<u><u>\$ 4,327,577</u></u>	<u><u>\$ 4,289,011</u></u>
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.42%	44.47%	41.83%
Covered Payroll	\$ 15,503,972	\$ 14,836,604	\$ 12,531,658
Net OPEB Liability as a Percentage of Covered Payroll	19.88%	29.17%	34.23%

**Notes to Schedule:**

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
SINGLE-EMPLOYER DEFINED BENEFIT PLAN  
SCHEDULE OF INVESTMENT RETURNS – OPEB  
JUNE 30, 2020  
LAST 10 YEARS\***

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.23%	7.16%	9.38%

**Notes to Schedule:**

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
SINGLE-EMPLOYER DEFINED BENEFIT PLAN  
SCHEDULE OF CONTRIBUTIONS – OPEB  
JUNE 30, 2020  
LAST 10 FISCAL YEARS\***

Fiscal Year Ended June 30	2020	2019	2018	2017
Actuarially Determined Contributions	\$ 529,577	\$ 606,839	\$ 588,345	\$ 748,139
Contributions in Relation to the Actuarially Determined Contributions	<u>(529,577)</u>	<u>(606,839)</u>	<u>(588,345)</u>	<u>(748,139)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 16,007,851	\$ 15,503,972	\$ 14,836,604	\$ 12,531,658
Contributions as a Percentage of Covered Payroll	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, 2019 and June 30, 2020 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**

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Federal Grantor/Project Number/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identification Number</u>	<u>Grant Expenditures</u>	<u>Passed- Through To Subrecipients</u>
Direct Programs:				
Federal Transit Cluster				
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			\$ 6,911,064	\$ -
Grant CA-2020-233-00 - FY 20 5307 Formula Grant			172,377	-
Grant CA-2019-114-00 - FY 19 5307 Formula Grant			1,207,623	-
Grant CA-2018-142-00 - FY 18 5307 & 5339 Formula Grant			205,152	-
Grant CA-2016-013-00 - FY 15 Projects - Access and Planning Software			144,592	-
Grant CA-2016-057-00 - FY 15 5307 Formula Grant			625	-
			<u>8,641,433</u>	<u>-</u>
Total Federal Transit Formula Grants - Direct Programs				
Other Federal Award Programs:				
U.S. Department of Homeland Security Federal Emergency Management Agency				
Disaster Grant - Public Assistance (Presidentially Declared Disasters)				
	97.036			
COVID-19 PPE Part 2 Project #146253			33,479	-
			<u>33,479</u>	<u>-</u>
Total Expenditures of Federal Awards				
			<u>\$ 8,674,912</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

**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.

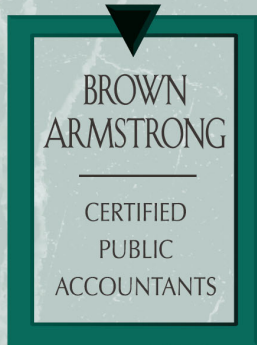
**NOTE 2 – BASIS OF ACCOUNTING**

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.





# BROWN ARMSTRONG

*Certified Public Accountants*

## **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, 2020, and related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 9, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the basic 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 basic 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.

*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 Authority's basic financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

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## 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.

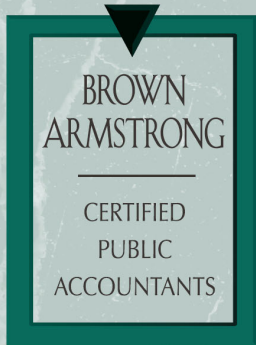
## Purpose of this Report

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

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 9, 2020



# BROWN ARMSTRONG

*Certified Public Accountants*

## 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, 2020.

### 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 counties 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;

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- (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, 2020, all Proposition 1B funds received and expended were verified in the course of our current audits as follows:

Balance – beginning of the year	\$ 3,049,577
Proceeds received:	
PTMISEA	-
Interest earned	60,398
Expenses incurred:	
Rolling stock replacement, facility rehab, lifeline bus stop, and the Martinez Shuttle	333,300
Unexpended proceeds, June 30, 2020	\$ 2,776,675

## **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, 2020.

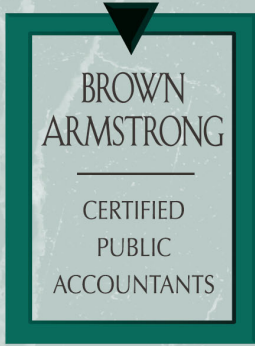
## **Purpose of this Report**

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

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
December 9, 2020



# BROWN ARMSTRONG

*Certified Public Accountants*

## **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

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### **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, 2020. 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, 2020.

## 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 9, 2020

**STATISTICAL SECTION**



**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**JUNE 30, 2020**  
**LAST 10 FISCAL YEARS\***

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenues										
Passenger fares	\$ 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	\$ 3,888,089
Special transit fares	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	829,103
<b>Total Operating Revenues</b>	<b>4,695,829</b>	<b>5,216,683</b>	<b>4,857,447</b>	<b>4,756,711</b>	<b>4,990,622</b>	<b>5,145,959</b>	<b>5,105,103</b>	<b>5,119,368</b>	<b>4,990,481</b>	<b>4,717,192</b>
Operating Expenses										
Salaries and benefits	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	18,615,051
Materials and supplies	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	2,973,978
Services	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	1,565,977
Purchased transportation	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	5,048,351
Insurance	790,287	763,534	722,556	676,984	685,551	627,088	740,595	381,485	415,417	385,278
Other	147,590	189,045	202,460	210,422	305,691	312,727	286,464	312,151	113,187	135,674
Utilities	365,131	366,642	356,151	320,063	284,645	256,395	284,788	304,463	233,889	246,466
Taxes	237,192	217,950	226,116	184,435	193,913	250,077	325,316	319,107	293,854	306,897
Leases and rentals	60,444	53,508	42,499	48,466	44,983	40,454	36,402	38,175	35,977	37,396
Defined benefit pension adjustment	2,120,710	642,776	1,807,421	(17,761)	(1,169,716)	-	-	-	-	-
Other postemployment benefits (OPEB) adjustment	(461,471)	(376,320)	(224,832)	-	-	-	-	-	-	-
Depreciation	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	4,696,375
<b>Total Operating Expenses</b>	<b>46,964,644</b>	<b>45,733,665</b>	<b>43,255,054</b>	<b>39,744,134</b>	<b>37,933,097</b>	<b>37,145,541</b>	<b>38,207,992</b>	<b>36,111,282</b>	<b>35,029,344</b>	<b>34,011,443</b>
Operating Loss	(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)	(29,294,251)
Nonoperating Revenues										
Federal operating assistance <sup>(b)</sup>	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	4,003,292
State and local operating assistance	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	20,060,073
Advertising revenue	479,408	618,416	615,631	608,420	599,100	586,768	579,738	574,912	537,546	504,952
Interest income	268,607	253,675	118,161	38,789	40,642	15,307	14,602	16,340	14,988	24,360
Other revenue	78,968	102,245	108,077	83,538	82,784	93,083	91,313	85,865	100,627	122,309
Interest expense	-	-	-	-	-	-	-	-	-	(456)
Gain (Loss) on sale of capital assets	-	(6,944)	211,840	14,479	135,603	3,706	(44,703)	8,340	12,631	(7,230)
<b>Total Nonoperating Revenues</b>	<b>33,109,870</b>	<b>32,806,805</b>	<b>30,705,672</b>	<b>29,640,151</b>	<b>28,808,879</b>	<b>27,400,183</b>	<b>27,639,148</b>	<b>25,678,599</b>	<b>24,885,078</b>	<b>24,707,300</b>
Net Loss Before Capital Contributions	(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)	(4,586,951)
Capital Contributions										
Grants restricted for capital expenses (Note 3)	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	2,380,940
Prior Period Adjustment <sup>(a)</sup>	-	-	(5,971,222)	-	-	(5,057,126)	-	-	-	-
Increase (Decrease) in Net Position	(8,190,239)	(621,581)	(10,812,533)	13,663,215	13,313,827	(6,720,998)	(496,480)	905,124	(799,217)	(2,206,011)
Beginning Net Position, as Restated	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	38,800,655
Ending 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

<sup>(a)</sup> 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.

<sup>(b)</sup> 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, 2020**

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?	No
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?	No
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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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?	Yes

## Section II – Financial Statement Audit Findings and Questioned Costs

### **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 their 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 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 their inventory count policies and procedures.

## Section III – Federal Awards Findings and Questioned Costs

None.

## Section IV – Summary of Prior Audit (June 30, 2019) Findings and Current Year Status

None.