

INTER OFFICE MEMO

To: Administration & Finance Committee

Date: 11/09/2022

From: Amber Johnson, Chief Financial Officer

Reviewed by: WC.

SUBJECT: Audited Financial Statements for the Year Ended June 30, 2022 (Fiscal Year 2022)

Background:

The County Connection (Authority) financial audit for the year ended June 30, 2022 (Fiscal Year 2022 or FY22) has been completed and the Basic Financial Statements (BFS) are enclosed for your review (Attachment 1).

Summary of Report:

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

- The type of auditor's report is unmodified (BFS Page 3, 54).
- No material weaknesses or deficiencies were identified during the course of the audit.

The Basic Financial Statements (BFS) includes the Management's Discussion and Analysis (Page 4 of BFS) which provides an introduction and summary of the activities over the course of the year. The Statement of Net Position is \$26,554,339 (Page 10 of BFS) a decrease of \$2,614,257. The following is a summary of the changes in Net Position between June 30, 2022, and June 30, 2021:

- Fares and Operating Assistance – Passenger revenue and special transit fares increased by \$870 thousand, or 65%, from FY 2021 to FY 2022. This is due to increased ridership of both fixed-route and paratransit services as ridership begins to return in the wake of the COVID-19 pandemic. Federal operating assistance increased by about \$6.9 million, due to increased utilization of CARES Act and ARPA funds. These increases were offset by decreased use of TDA revenue.
- Capital Assets – Capital Assets decreased \$6.7 million to \$35 million due to the depreciation on buses that were purchased in previous years. The Authority did not have any major capital purchases in FY 2022.
- Deferred Outflow of Resources – Deferred outflow of resources for pension and Other Post Employment Benefits (OPEB) decreased by \$300 thousand to \$3.4 million. Deferred outflow primarily represents pension and OPEB contributions subsequent to the measurement date, and changes to actuarial assumptions that impact future periods.

- Deferred Inflow of Resources – Deferred inflow of resources for pension and OPEB increased from \$2.2 million to \$12.9 million which represents changes in estimates based on actual investment performance, and changes in assumptions that provide additional assets to the pension and retiree medical plans. In particular, the CalPERS pension plan reported a 21.3% return on investment during the reporting period, causing a dramatic increase to deferred inflow of resources.
- Due to Other Government, TDA payable – The amount increased slightly from \$13.9 million to \$14.1 million (Note 13). The Authority’s eligible TDA expenses were significantly lower in FY 2022 as compared to FY 2021, however, the total TDA advance was also much larger in FY 2022. This caused the unused portion of TDA (the amount payable) to remain stable.
- Net pension and OPEB liability – The net OPEB liability as of June 30, 2021 (the measurement date) is \$2.9 million. There is no net pension liability at this time due to the large return on investment in the pension plan for the measurement period.

Audit Findings:

There were no material weaknesses or deficiencies noted by the auditors this year. The prior year findings related to inventory counts and reporting of federal operating assistance were determined to be corrected and are no longer listed as audit findings.

Other Information:

Page 47-49 of the BFS – Independent Auditor’s Report on State Compliance regarding testing for compliance with TDA laws and internal control based on standards contained in Government Auditing Standards issued by the Comptroller General of the United States. The results of the tests disclosed no instances of noncompliance or material weaknesses.

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

Page 54 of the BFS – Schedule of Findings and Questioned Costs from the auditor regarding the compliance with the requirements of the Office of Management and Budget (OMB) Circular A-133. There are no audit findings that are required to be reported to the OMB.

Other Letters:

- Letter to the Administration and Finance Committee regarding the responsibilities of the auditor and the scope and timing of the audit (SAS 114 Letter - Attachment 2). This letter includes information about a corrected misstatement and recommendation for improved processes to avoid future misstatements.
- Letter to the Administration and Finance Committee reviewing TDA and STA revenue, diesel fuel and PERS benefits. The auditor found that diesel fuel expenses increased by over \$500,000 and \$0.75 per gallon as compared to the prior fiscal year. No other findings were noted. (Attachment 3)

Financial Implications:

No fiscal impact occurs as a result of the Committee's acceptance of these reports. The FY 2022 Basic Financial Statements and related reports are presented as the actual results of the Authority's financial activities for the year.

Action Requested:

Staff requests that the A&F Committee approve and forward the audited financial statements for the year ended June 30, 2022 and accompanying auditor reports to the full Board and recommend their approval.

Attachments:

- Attachment 1: Central Contra Costa Transit Authority Basic Financial Statements for the year-ended June 30, 2022
- Attachment 2: Letter to the Administration and Finance Committee regarding the responsibilities of the auditor and the scope and timing of the audit (SAS 114 Letter)
- Attachment 3: Letter to the Administration and Finance Committee reviewing TDA and STA revenue, diesel fuel and PERS benefits.

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

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Central Contra Costa Transit Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2021, basic financial statements, and our report dated February 7, 2022, 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, 2021, 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 7, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Introduction

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

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

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

The Authority currently operates an active fixed route bus fleet of 125 and has approximately 238 employees. An independent contractor operates the paratransit service. The Authority receives funds primarily from transit fares and federal, state, and local grants. The disbursement of funds received by the Authority is set by Board policy, subject to applicable statutory requirements and by provisions of various grant contracts.

The Basic Financial Statements

The Authority's basic financial statements include:

- (1) the Statement of Net Position,
- (2) the Statement of Revenues, Expenses, and Changes in Net Position,
- (3) the Statement of Cash Flows, and
- (4) the Notes to the Basic Financial Statements.

The Statement of Net Position presents information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position can be an indication of improving or deteriorating financial condition.

The Statement of Revenues, Expenses, and Changes in Net Position presents the most recent fiscal year changes in net position. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

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 \$2,717,804, while operating expenses were \$42,372,112. The Authority is able to cover most of its operating expenses through operating revenue and grants from federal, state, and local agencies.

While the Authority relies heavily on Transportation Development Act (TDA) to fund its operational needs, TDA revenue is the Authority's revenue of "last resort," and the funds are claimed after all other revenue sources have been utilized. Any unused TDA revenue allocation is held by the Metropolitan Transportation Commission (MTC) and made available in future years. Therefore, the Authority does not hold its own reserve funds, rather, its reserve is held by MTC and is not included in the basic financial statements.

Statements of Net Position

A comparison of the Authority's Statements of Net Position as of June 30, 2022 and 2021, is as follows:

	2022	2021	2022 to 2021 Increase/Decrease	
			Amount	%
Current assets	\$ 25,173,418	\$ 25,724,016	\$ (550,598)	-2.14%
Noncurrent assets	37,396,823	40,996,956	(3,600,133)	-8.78%
Total assets	62,570,241	66,720,972	(4,150,731)	-6.22%
Deferred outflows of resources	3,427,714	3,741,675	(313,961)	-8.39%
Total assets and deferred outflows of resources	\$ 65,997,955	\$ 70,462,647	\$ (4,464,692)	-6.34%
Current liabilities	\$ 23,134,194	\$ 22,985,648	\$ 148,546	0.65%
Noncurrent liabilities	3,373,963	16,082,882	(12,708,919)	-79.02%
Total liabilities	26,508,157	39,068,530	(12,560,373)	-32.15%
Deferred inflows of resources	12,935,459	2,225,521	10,709,938	481.23%
Net position				
Net investment in capital assets	34,315,353	40,996,956	(6,681,603)	-16.30%
Unrestricted net position	(7,761,014)	(11,828,360)	4,067,346	34.39%
Total net position	26,554,339	29,168,596	(2,614,257)	-8.96%
Total liabilities, deferred inflows of resources, and net position	\$ 65,997,955	\$ 70,462,647	\$ (4,464,692)	-6.34%

The Authority's net position decreased \$2,614,257 for a balance of \$26,554,339 as of June 30, 2022. Because of the unique way that the Authority's utilizes TDA revenue, its revenues are always equivalent to its expenditures, creating no impact to the net position. Therefore, any change in net position is generally attributable to two factors – depreciation and retirement benefit liabilities.

Net investment in capital assets decreased by \$6,681,603, primarily due to depreciation expense of \$7,123,208 that was partially offset by modest capital additions. Unrestricted net position increased by \$4,067,346, due to the allocation of defined benefit pension investment earnings in the current period of \$3,486,207, plus investment earnings in the Other Post-Employment Benefits (OPEB) plan of \$581,142.

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 fiscal years 2022 and 2021 is as follows:

	2022	2021	2022 to 2021 Increase/Decrease	
			Amount	%
Operating revenues	\$ 2,717,804	\$ 1,698,345	\$ 1,019,459	60.03%
Operating expenses	42,372,112	43,992,730	(1,620,618)	3.68%
Operating loss	(39,654,308)	(42,294,385)	2,640,077	6.24%
Nonoperating revenues	36,598,449	34,206,275	2,392,174	6.99%
Capital contributions	441,602	420,944	20,658	4.91%
Decrease in net position	(2,614,257)	(7,667,166)	5,052,909	65.90%
Total net position, beginning of year	29,168,596	36,835,762	(7,667,166)	-20.81%
Total net position, end of year	<u>\$ 26,554,339</u>	<u>\$ 29,168,596</u>	<u>\$ (2,614,257)</u>	-8.96%

The largest revenue category listed on the Statement of Revenues, Expenses, and Changes in Net Position is state and local operating assistance for \$26,014,999 (66% of revenue in FY 2022, 88% of revenue in FY 2021). 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 \$12,454,095 in FY 2022. The second largest source of state & local revenue is from Contra Costa Transportation Authority (CCTA) Measure J, a countywide ½ cent sales tax, from which the Authority received \$7,418,320. The third largest state revenue source is State Transit Assistance (STA), which is sales tax on diesel fuel and represented \$4,508,268. In addition to state and local assistance, the Authority also received \$3,538,209 in federal CARES Act funding and \$3,930,747 in federal American Rescue Plan Act (ARPA) to assist with COVID-related expenditures and revenue losses. Finally, capital contributions increased from \$420,944 to \$441,602, primarily utilized on battery retrofits for electric buses, and planning and engineering of electric bus charging infrastructure.

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 \$20,748,844, or 49% of operating expenses. The next two largest categories of expenses are purchased transportation (the cost of providing public transportation through an independent private contractor) for \$7,181,927 (17% of operating expenses) and depreciation of capital assets for \$7,123,208 (17% of operating expenses).

Changes to select revenue types from the prior year are as follows:

	2022	2021	2022 to 2021 Increase/ (Decrease)
Passenger revenue	\$ 2,217,862	\$ 1,348,037	\$ 869,825
Special transit fares	499,942	350,308	149,634
Federal operating assistance	9,247,548	2,371,121	6,876,427
State and local operating assistance	26,014,999	31,591,217	(5,576,218)

In FY 2022, the Authority received \$37,980,351 based on the categories above, which represent 97% of operating and nonoperating revenues. Fare revenue increased \$869,825, or 65%. This is due to increased ridership of both fixed-route and paratransit services as ridership begins to return in the wake of the COVID-19 pandemic. Special transit fares increased \$149,634 or 43%, again due to riders

returning to routes that were reduced or discontinued during the COVID-19 pandemic. The Authority received \$9,247,548 in federal operating assistance, which is an increase of \$6,876,427 due mostly to increased utilization of CARES Act and ARPA funds. This was offset by decreased use of TDA revenue and is reflected in the decrease to 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, 2022 and 2021, are as follows:

	2022	2021	2022 to 2021 Increase/(Decrease)	
			Amount	%
Land and land improvements	\$ 5,144,554	\$ 5,144,554	\$ -	0.00%
Construction in process	512,283	353,917	158,366	44.75%
Shop, office, other equipment, and service vehicles	5,522,957	5,690,175	(167,218)	-2.94%
Buildings and structures	20,731,033	20,706,249	24,784	0.12%
Revenue vehicles	74,608,124	74,376,538	231,586	0.31%
Total	106,518,951	106,271,433	247,518	0.23%
Less accumulated depreciation	(72,203,598)	(65,274,477)	(6,929,121)	-10.62%
Net total	<u>\$ 34,315,353</u>	<u>\$ 40,996,956</u>	<u>\$ (6,681,603)</u>	-16.30%

At June 30, 2022, the Authority's net capital assets decreased \$6,681,603 due mainly to depreciation on revenue vehicles. The Authority did not have any major purchases of capital assets in the current fiscal year. Please refer to Note 5 in the notes to the basic financial statements for further details.

Noncurrent Liabilities

At June 30, 2022, the Authority's noncurrent liabilities balance was \$3,373,963 compared to \$16,082,882 at June 30, 2021, primarily due to significant return on investments by California Public Employees Retirement System (CalPERS) of 21.3% for reporting period. This resulted in the elimination of the \$11,917,849 net pension liability recorded in the prior fiscal year. Net OPEB liability and self-insurance liabilities also decreased by \$91,929 and \$699,142, respectively. See Notes 7, 8, 11 and 12 in the basic financial statements for further details on each of these noncurrent liabilities.

Overall Financial Condition

The Authority operates within Contra Costa County, one of the nine counties in the San Francisco Bay Area. After experiencing a severe economic decline due to the COVID-19 pandemic, the unemployment rate in Contra Costa continues to improve – from 13.4% in June 2020, to 6.9% in June 2021, to 3.2% in June 2022, a positive indicator of economic growth in the region. However, many businesses have continued an option for employees to work-from-home or work a hybrid schedule, which has decreased traffic congestion and commuters' needs for public transit. In the Spring of 2021, the Board approved a service plan reduction to mitigate some of the financial challenges and ridership declines being experienced by the Authority. Over the past year, as the shelter-at-home orders were lifted, mask mandates were relaxed, and schools came back in-person, ridership has seen a steady increase, aided by systemwide and regionwide fare promotions. Average weekday ridership fluctuated between 45%-60% below normal pre-COVID levels throughout FY 2022. Weekend ridership recovered more quickly than on weekdays and was down between 18%-38% compared to before the pandemic. Billable contracts for special routes have begun to rebound after having either suspended service or reduced their agreement terms to account for the lowered ridership last fiscal year. While the bus advertising contract was renegotiated to a profit-sharing calculation, advertising revenues exceeded budgetary expectations in FY 2022 and continue to see modest growth.

Although there is still uncertainty about the long-term economic impacts of the pandemic, the Authority is doing what it can so transit benefits can help the community in economic rebound efforts. The Authority is carefully monitoring expenses and service levels, mindful of the impact these decisions will have in future years once federal operating support is discontinued. While it is likely that subsidies could reach prior levels again in the next couple years, operations revenues are less likely to do so. Ridership may never reach pre-pandemic levels, causing corresponding low levels of farebox revenue. Furthermore, oil and natural gas prices are extraordinarily volatile. One-time federal funding has been critical to ensure continuity of transit services and allowed the Authority to preserve jobs to allow for transit service to be restored as demand begins to recover.


The utilization of federal stimulus funds, combined with stable sales tax revenues during the pandemic, have decreased the Authority's dependence on TDA funds in the near term. Using current assumptions, there are sufficient TDA reserves to sustain the Authority through fiscal year 2027. Nevertheless, a structural deficit exists with expenses outpacing revenues, and the Authority faces inflationary pressures in all areas of operational expenses.

Initially, the COVID-19 pandemic threatened to inflict severe and lasting damage to the Authority's financial condition. However, thanks to federal financial relief from three stimulus bills and stronger-than-expected bounce-back of tax revenues from state and local sources, the Authority's financial condition has remained stable. Despite the loss of fare revenues, fiscal shortfalls are not presently affecting the Authority's ability to deliver transit service. However, the Authority is experiencing difficulty filling open operator positions, which is somewhat limiting service delivery.

Contacting the Authority's Financial Management

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

Respectfully submitted,



Amber Johnson
Chief Financial Officer

BASIC FINANCIAL STATEMENTS

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022 (WITH COMPARATIVE TOTALS)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 16,462,885	\$ 20,320,806
Capital and operating grants receivable	6,500,684	3,513,530
Materials and supplies	1,145,485	879,224
Other receivables	895,784	789,118
Prepaid expenses	<u>168,580</u>	<u>221,338</u>
Total Current Assets	25,173,418	25,724,016
Noncurrent Assets		
Net pension asset	3,081,470	-
Capital assets (Note 5)	<u>34,315,353</u>	<u>40,996,956</u>
Total Noncurrent Assets	<u>37,396,823</u>	<u>40,996,956</u>
Total Assets	<u>62,570,241</u>	<u>66,720,972</u>
DEFERRED OUTFLOWS OF RESOURCES (Note 7 and Note 11)		
Other postemployment benefits (OPEB)	1,033,825	703,725
Defined benefit pension	<u>2,406,067</u>	<u>3,037,950</u>
Total Deferred Outflows of Resources	<u>3,439,892</u>	<u>3,741,675</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 66,010,133</u>	<u>\$ 70,462,647</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,796,495	\$ 1,695,341
Due to other government, TDA payable (Note 13)	14,104,136	13,930,726
Advances from contracts	-	100,000
Advances from LCTOP	315,955	731,998
Advances from MTC	899,868	902,170
Advances from PTMISEA (Note 6)	2,504,225	2,524,646
Compensated absences (Note 12)	1,008,887	950,521
Other accrued liabilities	960,173	854,168
Self-insurance liabilities (Notes 8 and 12)	<u>1,544,455</u>	<u>1,296,078</u>
Total Current Liabilities	<u>23,134,194</u>	<u>22,985,648</u>
Noncurrent Liabilities		
Compensated absences (Note 12)	329,579	558,065
Self-insurance liabilities (Notes 8 and 12)	111,123	581,778
Net OPEB liability (Note 11)	2,933,261	3,025,190
Net pension liability (Note 7)	<u>-</u>	<u>11,917,849</u>
Total Noncurrent Liabilities	<u>3,373,963</u>	<u>16,082,882</u>
Total Liabilities	<u>26,508,157</u>	<u>39,068,530</u>
DEFERRED INFLOWS OF RESOURCES (Note 7 and Note 11)		
OPEB	1,873,577	2,032,690
Defined benefit pension	<u>11,074,060</u>	<u>192,831</u>
Total Deferred Inflows of Resources	<u>12,947,637</u>	<u>2,225,521</u>
NET POSITION		
Net investment in capital assets	34,315,353	40,996,956
Unrestricted	<u>(7,761,014)</u>	<u>(11,828,360)</u>
Total Net Position	<u>26,554,339</u>	<u>29,168,596</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 66,010,133</u>	<u>\$ 70,462,647</u>

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, 2022 (WITH COMPARATIVE TOTALS)

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Passenger fares	\$ 2,217,862	\$ 1,348,037
Special transit fares	499,942	350,308
	<u>2,717,804</u>	<u>1,698,345</u>
Operating Expenses		
Salaries and benefits	24,816,193	24,128,547
Materials and supplies	3,342,724	2,289,007
Services	2,130,814	1,746,263
Purchased transportation	7,181,927	6,072,093
Insurance	802,032	957,458
Other	180,176	73,552
Utilities	389,068	348,434
Taxes	415,987	228,805
Leases and rentals	57,332	60,409
Defined benefit pension adjustment	(3,486,207)	1,445,493
OPEB adjustment	(581,142)	(554,446)
Depreciation	7,123,208	7,197,115
	<u>42,372,112</u>	<u>43,992,730</u>
Operating Loss	(39,654,308)	(42,294,385)
Nonoperating Revenues		
Federal operating assistance	9,247,548	2,371,121
State and local operating assistance	26,014,999	31,591,217
Advertising revenue	292,311	95,263
Interest income	(140,571)	36,814
Other revenue	1,197,583	84,977
Gain on sale of capital assets	-	26,883
Loss on disposal of capital assets	(13,421)	-
	<u>36,598,449</u>	<u>34,206,275</u>
Net Loss Before Capital Contributions	(3,055,859)	(8,088,110)
Capital Contributions		
Grants restricted for capital expenses (Note 3)	441,602	420,944
Decrease in Net Position	(2,614,257)	(7,667,166)
Total Net Position, Beginning of Year	<u>29,168,596</u>	<u>36,835,762</u>
Total Net Position, End of Year	<u>\$ 26,554,339</u>	<u>\$ 29,168,596</u>

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, 2022 (WITH COMPARATIVE TOTALS)**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 2,511,138	\$ 1,427,497
Payments to employees (salaries and benefits)	(25,102,586)	(24,170,010)
Payments to suppliers	(14,613,841)	(11,876,830)
	<u>(37,205,289)</u>	<u>(34,619,343)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	5,361,706	7,701,334
State and local operating grants	27,068,268	31,832,643
Other noncapital revenue	1,489,894	180,240
	<u>33,919,868</u>	<u>39,714,217</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	(13,424)	26,832
Principal payments on capital lease	-	-
Capital grants received	21,665	700,506
Capital asset purchases	(440,170)	(528,693)
	<u>(431,929)</u>	<u>198,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	(140,571)	36,814
	<u>(140,571)</u>	<u>36,814</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(3,857,921)	5,330,333
Cash and Cash Equivalents, Beginning of Year	20,320,806	14,990,473
Cash and Cash Equivalents, End of Year	<u>\$ 16,462,885</u>	<u>\$ 20,320,806</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, 2022 (WITH COMPARATIVE TOTALS)

	<u>2022</u>	<u>2021</u>
Operating Loss	\$ (39,654,308)	\$ (42,294,385)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	7,123,208	7,197,115
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:		
(Increase) in receivables	(106,666)	(370,848)
(Increase) Decrease in materials and supplies	(266,261)	33,918
Increase (Decrease) in prepaid expenses	52,758	(125,398)
Increase (Decrease) in accounts payable	99,722	(9,329)
(Decrease) Increase in net pension liability and related items	(3,486,207)	1,445,493
(Decrease) in net OPEB liability and related items	(581,142)	(554,446)
(Decrease) Increase in advances from contracts	(100,000)	100,000
(Decrease) in other liabilities and compensated absences	(286,393)	(41,463)
Net Cash Used in Operating Activities	<u>\$ (37,205,289)</u>	<u>\$ (34,619,343)</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, 2022**

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 \$441,602 for the fiscal year ended June 30, 2022.

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 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, 2022, 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 OPEB 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 (asset), 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 Benefits (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 and 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 7.25 percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county based on the amount of tax collected in that county. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Metropolitan Transportation Commission (MTC) to the Authority for specific transportation purposes.

State Transit Assistance (STA)

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

Federal Transit Administration (FTA)

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

Measure J Funds

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

M. New GASB Statement Implementation

GASB Statement No. 87, Leases, was implemented during the fiscal year ended June 30, 2022. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. There was no effect on the Authority's accounting and financial reporting as a result of implementing this standard.

N. Subsequent Events

Subsequent events were evaluated through December 7, 2022, which is the date the basic financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash on hand	\$ 450
Cash in banks	622,197
Investments	<u>15,840,238</u>
	<u>\$ 16,462,885</u>

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, 2022, had a balance of \$234 billion. Of that amount, 1.88% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 311 days as of June 30, 2022.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)Cash on Hand and Cash in Banks (Continued)**Investment in State Investment Pool** (Continued)

LAIF has the following restrictions on withdrawals:

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

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

Fair Value Measurements

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Investment Type	Amount	Remaining Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	\$ 15,840,238	\$ 15,840,238	\$ -	\$ -	\$ -

Disclosure Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the Authority's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, does not require disclosure as to credit risk:

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)Cash on Hand and Cash in Banks (Continued)**Disclosure Relating to Credit Risk** (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
LAIF	<u>\$15,840,238</u>	<u>N/A</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,840,238</u>

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: \$692,988 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, 2022.

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, 2022.

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	\$ 156,719
State grants	264,023
TDA (local transportation grants)	<u>20,860</u>
Total Capital Assistance	<u>\$ 441,602</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 Metropolitan Transportation Commission (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 fiscal year ended June 30, 2022, was \$6,003. For the fiscal year ended June 30, 2022, the Authority's maximum TDA assistance eligibility was \$12,454,095.

During the fiscal year ended June 30, 2022, the Authority earned \$7,418,320 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, 2022, the Authority earned \$130,097 of State of Good Repair (SGR) funds from STA funds out of Senate Bill 1 (SB1). Eligible projects for SGR funding include security equipment and systems, as well as preventative maintenance. The Authority used SGR funds to support the ongoing maintenance of its onboard technology. The Authority also earned other state and local operating assistance of \$6,012,487, 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 \$1,773,849. These funds are apportioned to the local urbanized area and allocated to individual transit operators by MTC after FTA approval. Expenses of federal operating assistance funds are subject to final audit and approval by MTC and the FTA. Due to the Coronavirus (COVID-19) pandemic, the Authority received federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the American Rescue Plan Act (ARPA) for \$3,538,209 and \$3,930,747 respectively. These federal relief funds, in combination with lower expenses, meant less TDA funds were needed in fiscal year 2022.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance June 30, 2021	Additions	Reclassifications and Deletions	Balance June 30, 2022
Capital Assets Not Being Depreciated:				
Construction in process	\$ 353,917	\$ 158,366	\$ -	\$ 512,283
Land	2,704,785	-	-	2,704,785
Total Capital Assets Not Being Depreciated	3,058,702	158,366	-	3,217,068
Capital Assets Being Depreciated:				
Land improvements	2,439,769	-	-	2,439,769
Shop, office, other equipment, and service vehicles	5,690,175	24,968	(192,186)	5,522,957
Buildings and structures	20,706,249	26,683	(1,899)	20,731,033
Revenue vehicles	74,376,538	231,586	-	74,608,124
Total Capital Assets Being Depreciated	103,212,731	283,237	(194,085)	103,301,883
Less Accumulated Depreciation for:				
Land improvements	2,269,224	26,837	-	2,296,061
Shop, office, other equipment, and service vehicles	4,723,579	299,605	(192,186)	4,830,998
Buildings and structures	15,389,915	609,133	(1,899)	15,997,149
Revenue vehicles	42,891,759	6,187,631	-	49,079,390
Total Accumulated Depreciation	65,274,477	7,123,206	(194,085)	72,203,598
Total Capital Assets Being Depreciated, Net	37,938,254	(6,839,969)	-	31,098,285
Total Capital Assets, Net	\$ 40,996,956	\$ (6,681,603)	\$ -	\$ 34,315,353

Depreciation expense for the fiscal year ended June 30, 2022, was \$7,123,206.

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, 2022, the Authority received \$0 in funds, and earned interest of \$9,648 from the State's PTMISEA account. As of June 30, 2022, there were \$30,069 of expenses incurred related to rolling stock replacement, facility rehabilitation, and lifeline bus stop. The remaining proceeds of \$2,504,225, which includes accrued interest, was deferred as shown in the schedule below. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

Advances from PTMISEA, beginning of year	\$ 2,524,646
Proposition 1B (PTMISEA) funds allocated	-
Proposition 1B (PTMISEA) interest earned	9,648
Proposition 1B (PTMISEA) expenses	(30,069)
Advances from PTMISEA, end of year	\$ 2,504,225

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN**A. General Information about the Defined Benefit Pension Plan (the 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, 2022, 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	7.090%	7.750%
Required Employer Contribution Rates	9.000%	9.000%

Employees Covered – At June 30, 2022, the following employees were covered by the benefit terms for the Plan as of the June 30, 2020 actuarial valuation:

	<u>Miscellaneous</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	223
Inactive Employees Entitled to but not yet Receiving Benefits	171
Active Employees	<u>222</u>
Total	<u>616</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 Defined Benefit Pension Plan (the Plan) (Continued)

contribution rate of employees. For the measurement period ended June 30, 2021 (the measurement date), the classic (prior to January 1, 2013) active employee contribution rate is 7.090% of annual pay, the PEPR (on or after January 1, 2013) active employee contribution rate is 7.750% of annual pay, and the employer’s contribution rate is 9.000% 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 (Asset)

The Authority’s net pension liability (asset) for the Plan is measured as the total pension liability, less the Plan’s fiduciary net position. The net pension liability (asset) of the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability (asset) is shown below.

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

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS’ Membership Data for all funds. ⁽¹⁾
Post-Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter.

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

All other actuarial assumptions used in the June 30, 2020 valuation were based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)B. Net Pension Liability (Asset) (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, 2022, the 7.15% discount rate was not reduced for administrative expense.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rate of return by asset class are as followed:

Asset Class ^(a)	Assumed Asset Allocation	Real Return Years 1 - 10 ^(b)	Real Return Years 11+ ^(c)
Public 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	<u>100.00%</u>		

^(a) In CalPERS’ Annual Comprehensive Financial Report Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

^(b) An expected inflation of 2.00% used for this period.

^(c) An expected inflation of 2.92% used for this period.

Annual Money-Weighted Return – For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expenses, was 22.4%. 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 (Asset)

The changes in the net pension liability (asset) are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2020 (Measurement Date)	\$ 108,255,890	\$ 96,338,041	\$ 11,917,849
Changes in the year:			
Service Cost	2,318,458	-	2,318,458
Interest on the Total Pension Liability	7,595,094	-	7,595,094
Differences between Expected and Actual Experience	(772,818)	-	(772,818)
Changes of Assumptions	-	-	-
Changes of Benefit Terms	-	-	-
Net Plan to Plan Resource Movement	-	-	-
Contribution - Employer	-	1,799,854	(1,799,854)
Contribution - Employee (Paid by Employer)	-	408,586	(408,586)
Contribution - Employee	-	617,163	(617,163)
Net Investment Income	-	21,410,686	(21,410,686)
Administrative Expenses	-	(96,236)	96,236
Other Miscellaneous Income/(Expense)	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,834,432)	(4,834,432)	-
Net Changes During 2020-21	4,306,302	19,305,621	(14,999,319)
Balance at June 30, 2021 (Measurement Date)	\$ 112,562,192	\$ 115,643,662	\$ (3,081,470)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) 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 (asset) 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 (Asset)	\$ 10,828,420	\$ (3,081,470)	\$ (14,725,905)

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, 2022, the Authority recognized a defined benefit pension adjustment of \$3,486,207. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension Contributions Subsequent to Measurement Date	\$ 2,402,496	\$ -
Changes of Assumptions	-	-
Differences between Expected and Actual Experience	3,571	550,652
Net Differences between Projected and Actual Earnings on Plan Investments	-	10,523,408
Total	\$ 2,406,067	\$ 11,074,060

\$2,402,496 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 (asset) in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,905,727)
2024	(2,686,003)
2025	(2,557,215)
2026	(2,921,544)
Total	\$ (11,070,489)

E. Payable to the Pension Plan

At June 30, 2022, the Authority reported a payable of \$88,822 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 8 – RISK MANAGEMENT

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

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

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.

NOTE 8 – RISK MANAGEMENT (Continued)

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 \$413,897 at June 30, 2022, 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 \$1,241,681 at June 30, 2022, 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, 2022, this fund, including accrued interest, totaled \$1,562,096.

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, 2022, totaled \$413,897, and for the workers' compensation totaled \$1,241,681.

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 PEPPRA 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, 2021 (the census date), the benefit terms covered the following employees:

Retirees and survivors currently receiving benefits	64
Active employees	<u>199</u>
Total	<u><u>263</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, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

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, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2021
Valuation Date	June 30, 2021
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Fair value of assets
Long-Term Return on Assets	4.75%
Discount Rate	4.75%
Participants Valued	Only current active employees, retired participants, and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.00% 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	2.50% 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 2022 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.

Effective January 1	Premium Increase	Effective January 1	Premium Increase
2022	Actual	2044-2049	4.70%
2023	5.80%	2050-2059	4.60%
2024	5.60%	2060-2066	4.50%
2025	5.40%	2067-2068	4.40%
2026-2027	5.20%	2069-2070	4.30%
2028-2029	5.10%	2071	4.20%
2030-2038	5.00%	2072-2073	4.10%
2039	4.90%	2074-2075	4.00%
2040-2043	4.80%	2076 & later	3.90%

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%	6.80%
Equity - Mid Cap Funds	3.00%	7.10%
Equity - Small Cap Funds	4.50%	7.90%
Equity - Real Estate	1.00%	6.60%
Equity - International	4.00%	7.30%
Equity - Emerging Markets	2.00%	7.30%
Fixed Income - Short Term Bond	14.00%	3.30%
Fixed Income - Intermediate Term Bond	49.25%	3.90%
Fixed Income - High Yield	1.75%	6.10%
Cash Equivalents	5.00%	2.40%
Total	<u>100.00%</u>	

Annual Money-Weighted Return

For the fiscal year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expenses, was (10.42%). 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 4.75%. 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, 2021 <i>Measurement Date June 30, 2020</i>	\$ 7,484,120	\$ 4,458,930	\$ 3,025,190
Changes in the Year:			
Service Cost	328,799	-	328,799
Interest	390,119	-	390,119
Expected Investment Income	-	232,999	(232,999)
Employer Contributions	-	546,415	(546,415)
Benefit Payments	(327,048)	(327,048)	-
Assumption Changes	417,022	-	417,022
Plan Experience	(184,833)	-	(184,833)
Investment Experience	-	263,624	(263,624)
Net Changes	624,059	715,990	(91,931)
Balance at June 30, 2022 <i>Measurement Date June 30, 2021</i>	\$ 8,108,179	\$ 5,174,920	\$ 2,933,259

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 (3.75%) or one percentage point higher (5.75%), follows:

	1% Decrease 3.75%	Discount Rate 4.75%	1% Increase 5.75%
Net OPEB Liability	\$ 3,930,516	\$ 2,933,259	\$ 2,100,394

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 (4.80%) or one percentage point higher (6.80%) than current healthcare cost trend rates, follows:

	1% Decrease 4.80%	Discount Rate 5.80%	1% Increase 6.80%
	Decreasing to 2.90%	Decreasing to 3.90%	Decreasing to 4.90%
Net OPEB Liability	\$ 2,303,140	\$ 2,933,259	\$ 3,792,117

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, 2022, the Authority recognized an OPEB adjustment of \$581,142. At June 30, 2022, 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	\$ 470,237	\$ 302,318
Differences Between Expected and Actual Experience	-	1,357,477
Net Difference Between Projected and Actual Earnings on Investments	-	213,782
Contributions Made Subsequent to the Measurement Date	<u>563,588</u>	<u>-</u>
Total	<u>\$ 1,033,825</u>	<u>\$ 1,873,577</u>

The \$563,588 reported as a deferred outflow of resources related to contributions subsequent to the June 30, 2021 measurement date will be recognized as a reduction to the net OPEB liability during the fiscal year ended June 30, 2023.

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>
2023	\$ (509,259)
2024	(526,147)
2025	(244,515)
2026	(177,273)
2027	35,667
Thereafter	<u>18,187</u>
Total	<u>\$ (1,403,340)</u>

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities at June 30, 2022, follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Self-Insurance Liabilities	\$ 1,877,856	\$ 1,036,461	\$ 1,258,739	\$ 1,655,578	\$1,544,455
Compensated Absences	<u>1,508,586</u>	<u>959,762</u>	<u>1,129,882</u>	<u>1,338,466</u>	<u>1,008,887</u>
Totals	<u>\$ 3,386,442</u>	<u>\$ 1,996,223</u>	<u>\$ 2,388,621</u>	<u>\$ 2,994,044</u>	<u>\$2,553,342</u>

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, 2022. 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)	\$ 20,905,683
Less: applicable expenses	<u>(11,242,736)</u>
Unused portion to revert back to (balance due to) the County's LTF (Current Year)	<u>9,662,947</u>
Prior year unused portion not returned	<u>4,441,190</u>
Total Unused Portion to Revert Back to the County's LTF	<u>\$ 14,104,137</u>
LTF Allocations for Community Transit Services:	
99275 and 99260(a)	\$ 1,211,358
Less: applicable expenses	<u>(1,211,358)</u>
Unused portion to revert back to the County's LTF	<u>-</u>
Total Due Back to the County's LTF	<u>\$ 14,104,137</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).

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 (ASSET) AND
RELATED RATIOS
AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS*

Measurement Period	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total Pension Liability				
Service Cost	\$ 2,318,458	\$ 2,334,896	\$ 2,340,898	\$ 2,257,838
Interest on Total Pension Liability	7,595,094	7,294,049	6,932,405	6,570,234
Changes of Benefit Terms	-	-	-	-
Changes of Assumptions	-	-	-	(660,476)
Differences between Expected and Actual Experience	(772,818)	(68,868)	25,006	(932,669)
Benefit Payments, Including Refunds of Employee Contributions	<u>(4,834,432)</u>	<u>(4,440,542)</u>	<u>(3,846,430)</u>	<u>(3,812,132)</u>
Net Change in Total Pension Liability	4,306,302	5,119,535	5,451,879	3,422,795
Total Pension Liability - Beginning	<u>108,255,890</u>	<u>103,136,355</u>	<u>97,684,476</u>	<u>94,261,681</u>
Total Pension Liability - Ending (a)	<u>\$ 112,562,192</u>	<u>\$ 108,255,890</u>	<u>\$ 103,136,355</u>	<u>\$ 97,684,476</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,799,854	\$ 1,590,639	\$ 1,424,384	\$ 1,158,215
Contributions - Employee (Paid by Employer)	408,586	408,586	449,362	586,800
Contributions - Employee	617,163	690,196	596,997	470,086
Net Investment Income	21,410,686	4,664,610	5,804,423	6,979,197
Benefit Payments, Including Refunds of Employee Contributions	(4,834,432)	(4,440,542)	(3,846,430)	(3,812,132)
Administrative Expenses	(96,236)	(131,892)	(63,649)	(131,190)
Other Miscellaneous Income/(Expense)**	-	-	207	(249,340)
Net Change in Plan Fiduciary Net Position	19,305,621	2,781,597	4,365,294	5,001,636
Plan Fiduciary Net Position - Beginning***	<u>96,338,041</u>	<u>93,556,444</u>	<u>89,191,150</u>	<u>84,189,514</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 115,643,662</u>	<u>\$ 96,338,041</u>	<u>\$ 93,556,444</u>	<u>\$ 89,191,150</u>
Net Pension Liability (Asset) [(a) - (b)]	<u>\$ (3,081,470)</u>	<u>\$ 11,917,849</u>	<u>\$ 9,579,911</u>	<u>\$ 8,493,326</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.74%	88.99%	90.71%	91.31%
Covered Payroll****	\$ 14,890,548	\$ 15,073,568	\$ 15,239,229	\$ 14,673,672
Net Pension Liability as a Percentage of Covered Payroll	-20.69%	79.06%	62.86%	57.88%

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND
RELATED RATIOS (Continued)
AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS*

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND
RELATED RATIOS (Continued)
AS OF JUNE 30, 2022
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, 2018-21; 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, 2021 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of assumptions: None in 2019 or 2021. In 2018, demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS – PENSION
AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	22.4%	5.0%	6.5%	8.4%
	<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	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, 2022
LAST 10 FISCAL YEARS***

Fiscal Year Ended June 30	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contributions	\$ 1,799,854	\$ 1,590,639	\$ 1,424,384	\$ 1,158,215
Contributions in Relation to the Actuarially Determined Contributions	<u>(1,799,854)</u>	<u>(1,590,639)</u>	<u>(1,424,384)</u>	<u>(1,158,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll**	\$ 14,890,548	\$ 15,073,568	\$ 15,239,229	\$ 14,673,672
Contributions as a Percentage of Covered Payroll	12.09%	10.55%	9.35%	7.89%
Fiscal Year Ended June 30	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contributions	\$ 1,070,201	\$ 1,272,683	\$ 947,246	\$ 917,689
Contributions in Relation to the Actuarially Determined Contributions	<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>
Covered Payroll**	\$ 14,786,527	\$ 13,915,228	\$ 13,613,535	\$ 13,553,073
Contributions as a Percentage of Covered Payroll	7.24%	9.15%	6.96%	6.77%

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS – PENSION (Continued)
AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS***

Notes to Schedule:

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

** Covered Payroll represented above is based on pensionable earnings provided by the employer. Payroll was assumed to increase by the 2.75 percent payroll growth assumption for fiscal years ended June 30, 2018-21; 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 June 30, 2021 were derived from the June 30, 2018 funding valuation report. Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date: June 30, 2018

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	2.50%
Projected salary increases	Varies by entry age and service.
Payroll growth	2.75%
Investment rate of return	7.00% (Net of Pension Plan Investment and Administrative Expenses; includes Inflation)
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

**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, 2022
LAST 10 FISCAL YEARS***

Measurement Period	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB Liability					
Service Cost	\$ 328,799	\$ 318,449	\$ 331,211	\$ 320,785	\$ 350,850
Interest on the Total OPEB Liability	390,119	369,885	406,509	385,114	482,126
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(184,833)	-	(1,357,116)	-	(1,408,629)
Changes in Assumptions	417,022	-	205,894	-	(994,873)
Benefit Payments	<u>(327,048)</u>	<u>(276,823)</u>	<u>(306,893)</u>	<u>(286,733)</u>	<u>(316,489)</u>
Net Change in Total OPEB Liability	624,059	411,511	(720,395)	419,166	(1,887,015)
Total OPEB Liability - Beginning	<u>7,484,120</u>	<u>7,072,609</u>	<u>7,793,004</u>	<u>7,373,838</u>	<u>9,260,853</u>
Total OPEB Liability - Ending (a)	<u>\$ 8,108,179</u>	<u>\$ 7,484,120</u>	<u>\$ 7,072,609</u>	<u>\$ 7,793,004</u>	<u>\$ 7,373,838</u>
OPEB Plan Fiduciary Net Position					
Net Investment Income	\$ 496,623	\$ 215,873	\$ 224,930	\$ 80,538	\$ 111,685
Contributions - Employer	546,415	529,577	606,839	588,345	748,139
Benefit Payments	(327,048)	(276,823)	(306,893)	(286,733)	(316,489)
Administrative Expenses	-	-	-	(1,550)	-
Net Change in OPEB Plan Fiduciary Net Position	715,990	468,627	524,876	380,600	543,335
OPEB Plan Fiduciary Net Position - Beginning	<u>4,458,930</u>	<u>3,990,303</u>	<u>3,465,427</u>	<u>3,084,827</u>	<u>2,541,492</u>
OPEB Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,174,920</u>	<u>\$ 4,458,930</u>	<u>\$ 3,990,303</u>	<u>\$ 3,465,427</u>	<u>\$ 3,084,827</u>
Net OPEB Liability [(a) - (b)]	<u>\$ 2,933,259</u>	<u>\$ 3,025,190</u>	<u>\$ 3,082,306</u>	<u>\$ 4,327,577</u>	<u>\$ 4,289,011</u>
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.82%	59.58%	56.42%	44.47%	41.83%
Covered Payroll	\$ 14,326,765	\$ 15,543,046	\$ 15,503,972	\$ 14,836,604	\$ 12,531,658
Net OPEB Liability as a Percentage of Covered Payroll	20.47%	19.46%	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, 2022
 LAST 10 YEARS***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<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	-10.42%	11.76%	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, 2022
LAST 10 FISCAL YEARS***

Fiscal Year Ended June 30	2022	2021	2020	2019	2018	2017
Actuarially Determined Contributions	\$ 561,678	\$ 545,410	\$ 529,577	\$ 606,839	\$ 588,345	\$ 748,139
Contributions in Relation to the Actuarially Determined Contributions	<u>(563,588)</u>	<u>(546,415)</u>	<u>(529,577)</u>	<u>(606,839)</u>	<u>(588,345)</u>	<u>(748,139)</u>
Contribution Deficiency (Excess)	<u>\$ (1,910)</u>	<u>\$ (1,005)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 16,518,765	\$ 14,326,765	\$ 16,007,851	\$ 15,503,972	\$ 14,836,604	\$ 12,531,658
Contributions as a Percentage of Covered Payroll	3.41%	3.81%	3.31%	3.91%	3.97%	5.97%

Notes to Schedule:

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

The actuarial methods and assumptions used to set the actuarially determined contributions for the Authority's fiscal years ending June 30, 2021 and June 30, 2022 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	5.10%
Discount Rate	5.10%
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, 2022**

<u>Federal Grantor/Project Number/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Identification Number</u>	<u>Passed- Through To Subrecipients</u>	<u>Grant Expenditures</u>
Direct Programs:				
Federal Transit Administration (FTA)				
U.S. Department of Transportation				
Federal Transit Formula Grants				
	20.507			
COVID-19 Grant CA-2020-125-00 - 5307 CARES Act Grant - Operating Assistance			\$ -	\$ 3,542,952
Grant CA-2018-142-00 - FY 18 5307 Formula Grant			-	366,582
Grant CA-2017-034-00 - FY 17 5307 Formula Grant			-	150,321
Grant (Pending) - FY 21 5307 Formula Grant			-	1,408,267
Grant CA-2022-040-00 - American rescue Plan Act Grant - Operating Assistance			-	3,930,748
			<u>-</u>	<u>9,398,870</u>
Total Federal Transit Formula Grants - Direct Programs			-	9,398,870
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 9,398,870</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, 2022**

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.

**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, 2022, 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 7, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance with Transportation Development Act Requirements

We have audited the Central Contra Costa Transit Authority's (the Authority) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the Authority were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Metropolitan Transportation Commission as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2022.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the requirements referred to above. 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 requirements referred to above. However, our audit does not provide a legal determination of the Authority's compliance.

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, 2022, all Proposition 1B funds received and expended were verified in the course of our current audit as follows:

Balance – beginning of the year	\$ 2,524,646
Proceeds received:	
PTMISEA	-
Interest earned	9,648
Expenses incurred:	
Rolling stock replacement, facility rehab, and lifeline bus stop	<u>30,069</u>
Unexpended proceeds, June 30, 2022	<u><u>\$ 2,504,225</u></u>

Opinion on Compliance

In our opinion, the Authority, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the compliance requirements referred above for the fiscal year ended June 30, 2022.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Central Contra Costa Transit Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the fiscal year ended June 30, 2022. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (GAAS), *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bakersfield, California
December 7, 2022

STATISTICAL SECTION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
JUNE 30, 2022
LAST 10 FISCAL YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Operating Revenues										
Passenger fares	\$ 2,217,862	\$ 1,348,037	\$ 3,043,712	\$ 3,383,189	\$ 3,221,580	\$ 3,275,964	\$ 3,549,944	\$ 3,759,432	\$ 3,935,630	\$ 4,057,759
Special transit fares	499,942	350,308	1,652,117	1,833,494	1,635,867	1,480,747	1,440,678	1,386,527	1,169,473	1,061,609
Total Operating Revenues	<u>2,717,804</u>	<u>1,698,345</u>	<u>4,695,829</u>	<u>5,216,683</u>	<u>4,857,447</u>	<u>4,756,711</u>	<u>4,990,622</u>	<u>5,145,959</u>	<u>5,105,103</u>	<u>5,119,368</u>
Operating Expenses										
Salaries and benefits	24,816,193	24,128,547	25,322,594	25,441,759	24,101,090	23,779,117	22,863,358	20,582,768	20,883,813	19,427,193
Materials and supplies	3,342,724	2,289,007	2,468,857	2,777,883	2,529,044	2,118,404	2,273,864	2,761,506	3,136,172	3,137,777
Services	2,130,814	1,746,263	1,869,379	1,933,459	1,744,973	1,751,238	1,697,825	1,775,371	1,933,534	1,876,033
Purchased transportation	7,181,927	6,072,093	6,544,224	6,211,639	5,561,256	5,309,756	5,458,921	5,151,072	5,206,741	5,044,664
Insurance	802,032	957,458	790,287	763,534	722,556	676,984	685,551	627,088	740,595	381,485
Other	180,176	73,552	147,590	189,045	202,460	210,422	305,691	312,727	286,464	312,151
Utilities	389,068	348,434	365,131	366,642	356,151	320,063	284,645	256,395	284,788	304,463
Taxes	415,987	228,805	237,192	217,950	226,116	184,435	193,913	250,077	325,316	319,107
Leases and rentals	57,332	60,409	60,444	53,508	42,499	48,466	44,983	40,454	36,402	38,175
Defined benefit pension adjustment	(3,486,207)	1,445,493	2,120,710	642,776	1,807,421	(17,761)	(1,169,716)	-	-	-
Other postemployment benefits (OPEB) adjustment	(581,142)	(554,446)	(461,471)	(376,320)	(224,832)	-	-	-	-	-
Depreciation	7,123,208	7,197,115	7,499,707	7,511,790	6,186,320	5,363,010	5,294,062	5,388,083	5,374,167	5,270,234
Total Operating Expenses	<u>42,372,112</u>	<u>43,992,730</u>	<u>46,964,644</u>	<u>45,733,665</u>	<u>43,255,054</u>	<u>39,744,134</u>	<u>37,933,097</u>	<u>37,145,541</u>	<u>38,207,992</u>	<u>36,111,282</u>
Operating Loss	(39,654,308)	(42,294,385)	(42,268,815)	(40,516,982)	(38,397,607)	(34,987,423)	(32,942,475)	(31,999,582)	(33,102,889)	(30,991,914)
Nonoperating Revenues										
Federal operating assistance ^(b)	8,913,014	2,371,121	8,339,542	1,703,403	1,655,674	1,002,950	2,237,709	1,376,873	1,881,018	2,699,912
State and local operating assistance	26,349,533	31,591,217	23,943,345	30,136,010	27,996,289	27,891,975	25,713,041	25,324,446	25,117,180	22,293,230
Advertising revenue	292,311	95,263	479,408	618,416	615,631	608,420	599,100	586,768	579,738	574,912
Interest income	(140,571)	36,814	268,607	253,675	118,161	38,789	40,642	15,307	14,602	16,340
Other revenue	1,197,583	84,977	78,968	102,245	108,077	83,538	82,784	93,083	91,313	85,865
Interest expense	-	-	-	-	-	-	-	-	-	-
Gain (Loss) on sale of capital assets	-	26,883	-	(6,944)	211,840	14,479	135,603	3,706	(44,703)	8,340
Loss on disposal of capital assets	(13,421)	-	-	-	-	-	-	-	-	-
Total Nonoperating Revenues	<u>36,598,449</u>	<u>34,206,275</u>	<u>33,109,870</u>	<u>32,806,805</u>	<u>30,705,672</u>	<u>29,640,151</u>	<u>28,808,879</u>	<u>27,400,183</u>	<u>27,639,148</u>	<u>25,678,599</u>
Net Loss Before Capital Contributions	(3,055,859)	(8,088,110)	(9,158,945)	(7,710,177)	(7,691,935)	(5,347,272)	(4,133,596)	(4,599,399)	(5,463,741)	(5,313,315)
Capital Contributions										
Grants restricted for capital expenses (Note 3)	441,602	420,944	968,706	7,088,596	2,850,624	19,010,487	17,447,423	2,935,527	4,967,261	6,218,439
Prior Period Adjustment ^(a)	-	-	-	-	(5,971,222)	-	-	(5,057,126)	-	-
Increase (Decrease) in Net Position	<u>(2,614,257)</u>	<u>(7,667,166)</u>	<u>(8,190,239)</u>	<u>(621,581)</u>	<u>(10,812,533)</u>	<u>13,663,215</u>	<u>13,313,827</u>	<u>(6,720,998)</u>	<u>(496,480)</u>	<u>905,124</u>
Beginning Net Position, as Restated	<u>29,168,596</u>	<u>36,835,762</u>	<u>45,026,001</u>	<u>45,647,582</u>	<u>56,460,115</u>	<u>42,796,900</u>	<u>29,483,073</u>	<u>36,204,071</u>	<u>36,700,551</u>	<u>35,795,427</u>
Ending Net Position, as Restated	<u>\$26,554,339</u>	<u>\$29,168,596</u>	<u>\$36,835,762</u>	<u>\$45,026,001</u>	<u>\$45,647,582</u>	<u>\$56,460,115</u>	<u>\$42,796,900</u>	<u>\$29,483,073</u>	<u>\$36,204,071</u>	<u>\$36,700,551</u>

^(a) Prior Period adjustments:
FY 2018 was implementation of GASB Statement No. 75 for Other Postemployment Benefits.
FY 2015 was implementation of GASB Statement No. 68 for Pension Benefits.

^(b) Federal operating assistance includes \$3,538,209, \$1,358,665 and \$6,911,064 in FTA CARES Act funds in FY 2022, FY 2021 and FY 2020, respectively, and \$3,930,747 in FTA ARPA Act funds in FY 2022.

FINDINGS AND QUESTIONED COSTS SECTION

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

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?	No
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>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
Assistance Listing Number 20.507	Federal Transit Formula Grants
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Audit Findings and Questioned Costs

None.

Section III – Federal Awards Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit (June 30, 2021) Findings and Current Year Status

Finding 2021 – 001 – Inventory Count Errors and Obsolete InventoryCondition

During our observation of the inventory count, we noted inventory count differences in comparison to the final inventory count recorded in the Authority's inventory system which is then adjusted in its general ledger system. We also noted data input errors and identified obsolete inventory was not removed from the inventory system. Due to COVID-19, the Authority used less staff to perform the count, due to following the recommended guidance from the 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 adequate controls over inventory counts for accurate financial reporting of inventory balances and adjusted for obsolete inventory in the fiscal year it is identified.

Cause of Condition

The Authority lacked proper oversight over the inventory counts and over the data entry process, due to recent turnover in key personnel. 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 affect the income statement. The misstatement can affect more than one reporting period. Due to the nature of the inventory as it is held for parts and the amount of the inventory in relation to the financial statements, the probability of the error being material is low.

Recommendation

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

Management Response

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

Current Year Status

Implemented.

Finding 2021 – 002 – CARES Act Federal Operating Assistance

Condition

During our review of the Schedule of Expenditures of Federal Awards (SEFA), we noted the Authority did not accrue for the CARES Act Revenues awarded to recognize revenue that had been earned in the fiscal year for eligible costs incurred during the fiscal year. This accrual was subsequently recorded.

Criteria

Grant receivable and corresponding grant revenue should be recorded once grant award/agreement is approved and executed and eligible project costs have been incurred.

Cause of Condition

Due to the Authority's turnover in the positions in charge of preparing the Financial Statements, there was a lack of internal control over recordkeeping of CARES Act Grant Revenue.

Potential Effect of Condition

The Authority's Financial Statements were initially materially misstated due to not accruing the CARES Act Revenue.

Recommendation

We recommend that the Authority should ensure there is adequate staff over the year-end closing process to ensure a reconciliation is done to ensure all eligible costs incurred and revenue earned that has not been received has been accrued at year-end.

Management Response

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

Current Year Status

Implemented.

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

**REPORT TO THE ADMINISTRATION AND
FINANCE COMMITTEE AND BOARD OF DIRECTORS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

DRAFT

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

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DRAFT

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

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

We have audited the basic financial statements of the Central Contra Costa Transit Authority (the Authority) for the fiscal year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. As described in Note 1, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the year ended June 30, 2022. We noted no transactions entered into by the Authority during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

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

- Estimated Useful Lives of Capital Assets – Management estimates the lives of capital assets for purposes of calculating annual depreciation expense to be reported in the Authority's Statement of Revenues, Expenses, and Changes in Net Position. Estimated useful lives range from 9 to 13 years for revenue transit vehicles; 3 to 10 years for shop, office, other equipment, and service vehicles; and 30 years for building and structures.
- Self-Insurance Liability – This represents management's estimate of the liability for public liability claims and workers' compensation claims to be paid for which the Authority is self-insured, and includes management's estimate of the ultimate costs for both reported claims and claims incurred but not reported.

DRAFT

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

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

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

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

<u>Financial Statement Classification</u>	<u>Debit</u>	<u>Credit</u>
Self-insurance liabilities	341,720	
Insurance expense		341,720
Capital and operating grants receivable	334,534	
Federal operating assistance		334,534
State and local operating assistance (TDA)	676,254	
Due to other government, TDA payable		676,254

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 7, 2022.

Management Consultations with Other Independent Accountants

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

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Other Audit Findings or Issues

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

Other Matters

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

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

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

Restriction on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

DRAFT

**AGREED UPON CONDITIONS REPORT DESIGNED TO IMPROVE
EFFICIENCY, INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING
(MANAGEMENT LETTER)**

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

We have audited the financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the fiscal year ended June 30, 2022, and have issued our report dated December 7, 2022. In planning and performing our audit of the financial statements of the Authority, we considered its internal control structure over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiencies. The recommendation listed in this report summarizes our comments and suggestions regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with various Authority personnel, and we will be pleased to discuss this in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

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Restriction on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

Current Year Agreed Upon Conditions and Recommendations

AUC- 01 Financial Closing Review and Reconciliations

During the audit, we noted that underlying schedules relating to insurance reserves and grant revenue required reclassifications or adjustments to properly be reported in the financial statements.

The general ledger represents the accounting record of the Authority's financial transactions and is the source document for the preparation of the financial statements. Thus, it is important that the general ledger be accurate on a consistent basis in order for management and the Board of Directors to make informed decisions.

Recommendation

We recommend that management reconcile the general ledger balances to the underlying schedules on a monthly basis to ensure the accuracy of the general ledger balances. Additionally, the Authority should review their current system of controls and procedures to ensure that the required reconciliations are completed accurately.

Management's Response

[Management Response]

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below on the accounting records of Central Contra Costa Transit Authority (the Authority) for the fiscal year ends of June 30, 2022 and 2021. The Authority is responsible for the Authority's accounting records.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of reviewing the State Transit Assistance (STA) and Transportation Development Act (TDA) funds allocated by the Metropolitan Transportation Commission (MTC), to review the cost of diesel fuel purchased by the Authority, and to review the California Public Employees' Retirement System (CalPERS) benefits paid by the Authority for the fiscal year ended June 30, 2022, and compare to the prior fiscal year ended June 30, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

- 1) Obtained the Authority's final amounts of TDA and STA funds received according to MTC for the fiscal years ended June 30, 2022 and 2021. Verified that the MTC allocation for fiscal year 2022 was not reduced from the allocation in 2021.

Finding: The fiscal year ended June 30, 2022 MTC final TDA allocation was not reduced from the fiscal year ended June 30, 2021 allocation. Refer to the attached schedule.

- 2) Obtained the cost of the diesel fuel purchased by the Authority for the fiscal years ended June 30, 2022 and 2021. Verified that the average cost of diesel fuel purchased in the fiscal year ended June 30, 2022 did not increase by \$500,000 over the prior fiscal year or \$0.75 per gallon when compared to the average cost for the fiscal year ended June 30, 2021.

Finding: The diesel fuel purchased by the Authority for the fiscal year ended June 30, 2022, increased by \$500,000 over the prior year and \$0.75 per gallon when compared to the average cost in the fiscal year ended June 30, 2021. Refer to the attached schedule.

- 3) Obtained a schedule of the CalPERS benefits, other than Other Postemployment Benefits (OPEB), paid by the Authority for the fiscal years ended June 30, 2022 and 2021. Verified that the increase for the fiscal year ended June 30, 2022 over the fiscal year ended June 30, 2021 did not exceed \$1,000,000.

Finding: The CalPERS benefits (other than OPEB) paid by the Authority for the fiscal year ended June 30, 2022, did not exceed \$1,000,000 over the fiscal year ended June 30, 2021. Refer to the attached schedule.

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

We are required to be independent of the Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
December 7, 2022

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Criteria	Description of Criteria	Revenue	2022	2021	\$ Change
(a)	Final amount of STA or TDA funds per MTC - must not be reduced from the prior year.				
		TDA 4.0	\$ 23,446,366	\$ 20,556,256	
		TDA 4.5	<u>1,092,405</u>	<u>951,046</u>	
	Total TDA		<u>24,538,771</u>	<u>21,507,302</u>	<u>\$ 3,031,469</u>
		STA Pop-County Block Grant	5,099,491	3,913,015	
		STA Rev based	<u>793,018</u>	<u>606,534</u>	
	Total STA		<u>5,892,509</u>	<u>4,519,549</u>	<u>1,372,960</u>
	Total STA and TDA		<u>\$ 30,431,280</u>	<u>\$ 26,026,851</u>	<u>\$ 4,404,429</u>
(b)	Cost of diesel fuel purchased by the Authority (increase is not greater than \$500,000 from prior year). This increase will occur if the average cost of diesel fuel purchased during fiscal year 2022 increased by \$0.75 per gallon when compared to the average in fiscal year 2021.		<u>\$ 1,902,527</u>	<u>\$ 1,018,675</u>	<u>\$ 883,852</u>
(c)	PERS benefits paid by the Authority, other than OPEB, did not increase by over \$1,000,000 from the prior year.		<u>\$ 2,402,494</u>	<u>\$ 2,192,667</u>	<u>\$ 209,827</u>