



**WESTERN CONTRA COSTA
TRANSIT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2020**

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WESTERN CONTRA COSTA TRANSIT AUTHORITY
YEAR ENDED JUNE 30, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Contra Costa Transit Authority:

Report on Financial Statements

I have audited the accompanying basic financial statements of the Western Contra Costa Transit Authority (Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Authority as of June 30, 2020 and changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

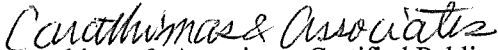
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 25, 2020, on my consideration of the Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.


Carathimas & Associates, Certified Public Accountant
September 25, 2020

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

INTRODUCTION

The purpose of Management's Discussion and Analysis (MD&A) is to provide an objective and easily understandable analysis of the Western Contra Costa Transit Authority's (Authority's) financial activities and financial status based on currently known facts, conditions, or decisions as of June 30, 2020.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are tracked separately and are depreciated over their useful lives.

The basic financial information regarding the Authority's performance, financial position, and financial status for fiscal years 2020 and 2019 is presented in tabular form in the following two sections. The "Financial Position" table summarizes the major categories of the Authority's assets, liabilities, and total net position for fiscal years 2020 and 2019. The "Financial Operations" table presents a more detailed breakdown of operating and non-operating revenues and expenses.

FINANCIAL POSITION SUMMARY

Total net position may serve over time as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by about \$13,265,100 at June 30, 2020, a decrease of \$1,876,100 from June 30, 2019.

A condensed summary of the Authority's statement of net position at June 30, 2020 and 2019 is shown below:

Summary of Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS:		
Current Assets	\$ 5,262,601	\$ 5,280,714
Capital Assets (Net of Accumulated Depreciation)	<u>13,634,342</u>	<u>15,500,649</u>
Total Assets	18,896,943	20,781,363
Deferred Outflows of Resources	<u>265,667</u>	<u>186,496</u>
LIABILITIES:		
Current Liabilities	4,860,273	4,805,052
Deferred Capital Funds	402,328	475,662
Net Pension Liability	<u>605,112</u>	<u>521,412</u>
Total Liabilities	5,867,713	5,802,126
Deferred Inflows of Resources	<u>29,763</u>	<u>24,540</u>
NET POSITION:		
Net Investment in Capital Assets	13,634,342	15,500,649
Unrestricted	<u>(369,208)</u>	<u>(359,456)</u>
Total Net Position	<u>\$ 13,265,134</u>	<u>\$ 15,141,193</u>

The largest portion of the Authority's net position represents its investment in capital assets (e.g. land, buses, buildings, improvements, and equipment). The Authority uses these capital assets to provide services to its passengers and employees; consequently these assets are not available for future spending. Since funding for capital acquisition comes largely from Federal Transit Administration (FTA) sources outside of the Authority's operating budget, the Authority's change in net position value will typically increase dramatically in years new or replacement vehicles are acquired, and decline at a relatively steady rate in years the Authority acquires no capital. Capital assets, net of accumulated depreciation, decreased by about \$1,866,300 during the year ended June 30, 2020 because capital assets purchased was less than depreciation expense of \$2,350,000. Capital assets purchased decreased from \$6,187,500 in 2019 to \$483,700 in 2020.

The net pension liability of \$605,112 is recognized at June 30, 2020, along with the related deferred outflows and inflows of resources, per GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The unrestricted net position of (\$369,208) represents the unfunded pension liability as of June 30, 2020.

FINANCIAL OPERATIONS SUMMARY

A condensed summary of the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019 is shown below:

Summary of Revenues, Expenses, and Changes in Net Position

	<u>FY 2020</u>	<u>FY 2019</u>
Operating Revenues	\$ 1,891,477	\$ 2,419,035
Operating Expenses:		
Operations	9,235,998	8,956,851
General and Administrative	1,288,997	1,071,143
Maintenance - Vehicles	1,548,900	1,543,806
Maintenance - Other	231,028	218,376
Depreciation	<u>2,350,040</u>	<u>2,237,591</u>
Total Operating Expenses	<u>14,654,963</u>	<u>14,027,767</u>
Non-Operating Revenues (Expenses):		
Interest Income	8,284	50,675
Other Non-Operating Revenue	-	15,250
Operating Assistance from Governmental Agencies	10,395,410	9,363,029
Capital Contributions	<u>483,733</u>	<u>6,187,508</u>
Total Non-Operating Revenues	<u>10,887,427</u>	<u>15,616,462</u>
Change in Net Position	(1,876,059)	4,007,730
Total Net Position - Beginning	<u>15,141,193</u>	<u>11,133,463</u>
Total Net Position - Ending	<u>\$ 13,265,134</u>	<u>\$ 15,141,193</u>

During the year ended June 30, 2020, operating revenues decreased approximately \$527,558, due to decrease in fare box receipts from impact of COVID-19. Total operating expenses, not including depreciation, increased by \$514,700. The majority of this resulted from increases of \$456,100 in purchased transportation, \$151,900 in salaries and benefits, \$96,200 in insurance, and \$111,300 for the lease of a transit stop within a regional transit center; offset by decrease of \$322,200 in fuel costs. The growth in purchased transportation expenses was due to minor service expansions during the year, along with an amendment to the Authority's agreement with MV Transportation linked to increases in MV's wage scale. This adjustment reflects the tightening labor market throughout the San Francisco Bay Area.

Depreciation increased by \$112,500 for a total increase of \$627,200 in operating expenses, including depreciation.

Operating assistance for the year increased about \$1,032,400, mostly due to funds acquired to offset increased purchased transportation and other expenses. Capital contributions available to the Authority decreased by about \$5,703,800 in fiscal year 2020. This is due to this year's smaller capital program and the corresponding change in Federal and State capital funding.

CAPITAL ACQUISITIONS

The Authority initiated a major project to replace its bus wash equipment two years ago, and expended an additional \$306,600 of PTMISEA and Measure J funds this year. The overall cost of the project is estimated at \$2.65 million, and work is scheduled to commence in September, 2020 with a completion date in Spring, 2021. Vehicle cameras and communications equipment were purchased with \$65,600 of LCTOP and Prop 1B Security funds. Office equipment and facility upgrades accounted for \$74,900 in capital asset additions, which were funded by prior year TDA capital contributions. COVID-19 barriers for vehicles and signage holders were purchased with \$36,600 of Federal CARES Act capital funds.

CURRENT FACTORS

Since mid-March, when the first COVID-19 Shelter in Place order was issued by the Contra Costa Health Officer, the pandemic has caused significant and sustained damage to the Authority's operations and finances. Until the pandemic is brought under control, it will be impossible to assess the extent to which traditional funding sources and operating costs will be impacted, and the ways in which the virus will affect passenger demand for public transit services. The pandemic has already forced the Authority to suspend fare collection and to impose strict limits on the number of passengers allowed to board its vehicles to ensure social distancing can be achieved and maintained.

The Authority faces many uncertainties in planning for a post-COVID future. These include the length of time travel restrictions and social distancing guidelines will remain in place, how quickly passengers will feel comfortable returning to public transit, what are the real dollar losses to key funding categories due to declining sales tax, fuel tax and bridge toll proceeds, and the extent to which transit's traditional roles and priorities will have to evolve to respond to changes in travel patterns within the region (telecommuting, etc.).

COVID impacts on the national economy could also have a major impact on the Authority's future. The Authority is scheduled to replace approximately one sixth of its fixed route vehicle fleet over the next 3 years, and it will face a State mandate to transition to more expensive zero-emission vehicles. The Federal government has historically covered 80% of the replacement cost of the vehicles, while stipulating that the remaining 20% match must be funded from local sources. In the wake of the unprecedented levels of Federal financial assistance authorized during the pandemic, it is unclear whether congress can maintain transit capital support at historic levels.

To cover the replacement needs alone, the Authority will need to assemble approximately \$1.4 million in local capital funding to satisfy the local match requirement on the Federal assets, and to cover other capital needs for which there will be no Federal support. Historically, the San Francisco region has made toll bridge revenues available for local match purposes, however toll bridge revenue in recent years has been insufficient to completely match the Federal funds, and this funding has been further reduced by the significant drop in traffic volumes on the region's bridges since March, 2020. The Authority will likely need to use its own Transportation Development Act funding to complete the purchases, thereby reducing the revenue available to fund ongoing operating costs.

In June, 2018, voters approved Regional Measure 3, which will raise bridge tolls on Bay Area bridges by up to \$3. The Authority has two significant projects included on the RM-3 project list submitted to the Metropolitan Transportation Commission by the Contra Costa Transportation Authority. One project would provide five million dollars for improvements and expansion of the Authority's operations and maintenance facility, and the second project would provide an additional five million dollars for acquisition of expansion commuter coaches for Transbay express service. A taxpayer group has filed a lawsuit attempting to invalidate Regional Measure 3, and despite the fact that RM-3 has survived two legal challenges, these rulings remain under appeal.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current Assets:

Cash	\$ 3,775,417
Accounts Receivable	248,446
Grants Receivable	1,211,100
Prepaid Expenses	<u>27,638</u>
Total Current Assets	<u>5,262,601</u>

Non-Current Assets:

Capital Assets (Net of Accumulated Depreciation)	<u>13,634,342</u>
Total Non-Current Assets	<u>13,634,342</u>

Total Assets

18,896,943

Deferred Outflows of Resources:

Total Deferred Outflows of Resources	<u>265,667</u>
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	1,174,600
Deferred Operating Funds	863,687
Payable to Metropolitan Transportation Commission	<u>2,821,986</u>
Total Current Liabilities	<u>4,860,273</u>

Non-Current Liabilities:

Deferred Capital Funds	402,328
Net Pension Liability	<u>605,112</u>
Total Non-Current Liabilities	<u>1,007,440</u>

Total Liabilities

5,867,713

Deferred Inflows of Resources:

Total Deferred Inflows of Resources	<u>29,763</u>
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NET POSITION

Net Investment in Capital Assets	13,634,342
Unrestricted	<u>(369,208)</u>

Total Net Position

\$13,265,134

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2020

OPERATING REVENUES

Passenger Fares	\$ 1,861,721
Advertising Revenues	29,756
Total Operating Revenues	<u>1,891,477</u>

OPERATING EXPENSES

Operations	9,235,998
General and Administrative	1,288,997
Maintenance - Vehicles	1,548,900
Maintenance - Other	231,028
Depreciation	2,350,040
Total Operating Expenses	<u>14,654,963</u>

Operating Loss (12,763,486)

NON-OPERATING REVENUES (EXPENSES)

Interest Revenue	8,284
Operating Assistance:	
Bay Area Rapid Transit District	2,956,234
Transportation Development Act	2,679,121
State Transit Assistance	1,319,506
Low Carbon Transit Operations Program	160,371
Regional Measure 2	1,066,374
Measure J	1,705,671
Federal Transit Administration	508,133
Net Non-Operating Revenues	<u>10,403,694</u>

Loss Before Capital Contributions (2,359,792)

CAPITAL CONTRIBUTIONS 483,733

Change in Net Position (1,876,059)

Net Position, July 1, 2019 15,141,193

Net Position, June 30, 2020 \$ 13,265,134

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from passengers	\$ 2,224,460
Payments to employees for services	(1,382,880)
Payments to suppliers for goods and services	(10,773,938)
Receipts from advertisers	27,673
Cash Used by Operating Activities	<u>(9,904,685)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>8,284</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Operating assistance received	<u>10,387,776</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,055,908)
Capital grants received	556,283
Cash Received (Used) by Capital and Related Financing Activities	<u>(499,625)</u>
 Increase (decrease) in cash	 (8,250)
Cash, July 1, 2019	<u>3,783,667</u>
Cash, June 30, 2020	<u><u>\$ 3,775,417</u></u>
 Reconciliation of Cash Flows from Operating	
Activities to Operating Loss:	
Cash used by operating activities	\$ (9,904,685)
Depreciation	(2,350,040)
Increase (decrease) in accounts receivable	(315,199)
Increase (decrease) in prepaid expenses	(25,360)
Increase (decrease) in deferred outflows of resources - pensions	79,171
Decrease (increase) in accounts payable and accrued liabilities	(158,450)
Decrease (increase) in net pension liabilities	(83,700)
Decrease (increase) in deferred inflows of resources - pensions	(5,223)
Operating loss	<u><u>\$ (12,763,486)</u></u>

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – ORGANIZATION

The Western Contra Costa Transit Authority (Authority) was organized as a separate legal entity in August 1977 by a Joint Exercise of Powers Agreement between Contra Costa County, City of Pinole and City of Hercules. The Authority is governed by a seven-member Board of Directors. Three board members are appointed by the County’s Board of Supervisors and two each are from the city councils of Hercules and Pinole.

The Authority provides fixed route and “dial-a-ride” public transit services throughout Western Contra Costa County. WestCAT, a service of the Authority, provides local, express, and regional service to the cities of Pinole and Hercules and the unincorporated communities of Montalvin Manor, Tara Hills, Bayview, Rodeo, Crockett, and Port Costa. The agency operates eight local fixed routes, and three express routes to BART. In addition, the agency operates three weekday only regional bus routes – service between Martinez and El Cerrito del Norte BART station, between Hercules and San Francisco, and from Hercules to Contra Costa College.

The Authority’s operations are funded primarily through Transportation Development Act (TDA) Article 4 funds, and State Transit Assistance funds. The Authority also receives TDA Article 4.5 funding to provide transportation for seniors and disabled passengers. The Authority has contracted with an independent contractor, MV Transportation, for most operating activities.

The Authority has an agreement with the Bay Area Rapid Transit District (BART) whereby the Authority operates express bus service in the Interstate 80 corridor of western Contra Costa County to and from BART. The agreement requires BART to provide sufficient funding annually, through the Metropolitan Transportation Commission (MTC), to cover the annual operating and capital costs of the service.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liability is incurred, regardless of the timing of the related cash flows.

The accounts of the Authority are organized on the basis of an enterprise fund. Its activities are accounted for with a set of self-balancing accounts that comprise the Authority’s assets, liabilities, net position, revenues and expenses. Enterprise funds account for activities: (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s cost of providing services, including capital costs (such as depreciation or debt service) be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges to passengers for transportation services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash Equivalents

For purposes of the statement of cash flows, the Authority's deposits in the Local Agency Investment Fund (LAIF) are, in substance, demand deposits and are therefore considered cash equivalents. Restricted investments are not considered a cash equivalent.

Accumulated Vacation and Sick Leave

By Authority policy, employees can carry from five to ten days of vacation benefits, depending on the years of service. The Authority has accrued \$42,579 for this liability at June 30, 2020.

Sick leave benefits are accumulated up to 30 days for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Authority since payment of such benefits is not probable. Sick leave benefits are recorded as expenses in the period that sick leave is taken.

Capital Assets

Capital assets are accounted for on the historical cost basis. Depreciation is recorded on a straight-line basis over five to sixteen years for equipment and vehicles, and over 31.5 years for facilities. The Authority capitalizes all capital assets acquired with capital contributions.

Operating Assistance

Grants are reported as non-operating revenue as soon as all eligibility requirements have been met.

Net Position

Net Position is reported in the following categories:

- Net Investment in Capital Assets – This category groups all capital assets into one category. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.
- Unrestricted Net Position – This category represents net position of the Authority, not restricted for any project or other purpose.

Use of Estimates

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020 consisted of the following:

Cash in bank and on hand	\$ 2,123,750
Cash with Local Agency Investment Fund	<u>1,651,667</u>
Total cash and investments	<u>\$ 3,775,417</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. The remainder of these cash deposits are entirely collateralized by the bank holding the deposit. California law requires banks to pledge government securities with a market value of 110% of the deposit as collateral for all public agency deposits. This collateral remains with the institution, but is considered to be held in the Authority’s name and places the Authority ahead of general creditors of the bank.

The Authority invests cash in the Local Agency Investment Fund. The pooled funds are carried at cost, which approximates market value. Investment earnings, gains and losses are proportionately shared by all participants in the pool.

NOTE 4 – CAPITAL ASSETS

Capital assets of the Authority consist of land, transit and service vehicles, buildings and improvements, and equipment. Capital assets are recorded at cost and depreciated over their estimated useful lives. The Authority's policy is to capitalize all assets when acquired with capital contributions.

Depreciation of capital assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

The Authority has assigned the useful lives as follows:

Building and improvements	5 - 31.5 years
Transit Vehicles	5-16 years
Shop, office and other equipment	5-10 years

	<i>Balance</i> <i>June 30, 2019</i>	<i>Additions</i>	<i>Retirements</i>	<i>Depreciation</i>	<i>Balance</i> <i>June 30, 2020</i>
Facilities (at cost)	\$ 7,463,301	\$ 337,401			\$ 7,800,702
Transportation Equipment (at cost)	26,472,269	101,131	\$ (1,460)		26,571,940
Other Equipment (at cost)	480,467	45,201	(43,673)		481,995
Total Capital Assets	34,416,037	483,733	(45,133)		34,854,637
Less Accumulated Depreciation	(18,915,388)		45,133	\$ (2,350,040)	(21,220,295)
Net Capital Assets	<u>\$ 15,500,649</u>	<u>\$ 483,733</u>	<u>\$ -</u>	<u>\$ (2,350,040)</u>	<u>\$ 13,634,342</u>

NOTE 5 – OPERATING AND CAPITAL ASSISTANCE

Bay Area Rapid Transit District – Operating funds from BART consist of \$2,570,067 in State Transit Assistance (STA) funds, \$288,878 in Transportation Development Act funds and \$97,289 for bus bridge services for BART.

Transportation Development Act – The Transportation Development Act (TDA) creates in each California local jurisdiction a Local Transportation Fund that is funded by ¼ cent from the 7.25 percent retail sales tax collected statewide. The California Board of Equalization returns these funds to the local jurisdiction according to the amount of sales taxes collected in that jurisdiction. TDA funds are allocated to the Authority from Contra Costa County to meet, in part, the Authority’s operating requirements. The allocation is based on population within the Authority’s service area.

State Transit Assistance – State Transit Assistance (Proposition 111) funds are allocated to the Authority based on the portion of the Authority’s qualifying revenues as a portion of qualifying revenues statewide and the population of the areas that the Authority serves. The qualifying revenues are property taxes, Measure J funds and other funds generated at the local level, excluding state or federal subsidies. STA - State of Good Repair funds of \$62,944 were received during fiscal year 2020. This plus \$4,872 in interest and prior year receipts of \$131,451 brings the total of unspent funds to \$199,267 included in deferred capital at June 30, 2020.

Regional Measure 2 –Regional Measure 2 (RM2) raised the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding.

Measure J - The Authority has entered into an agreement with the Contra Costa Transportation Authority (CCTA) pursuant to Contra Costa County Measure J for improvement of bus transit and para-transit services. The Authority must apply funds received under the agreement, including any interest earned thereon, for the specific routes, services, or capital acquisitions approved annually by CCTA.

Federal Transit Administration – The Authority received 5307 funds as operating assistance to help support the Authority’s paratransit services, and CARES Act funds for operating and capital assistance.

Proposition 1B – The Authority spent the remaining \$31,520 of prior year deferred capital funds from the California Transit Security Grant Program – California Transit Assistance Fund (CTSGBP-CTAF) and interest of \$6 in fiscal year 2020 for vehicle communications equipment. The Authority spent \$82,640 for the bus wash in fiscal year 2020 with funds from prior year deferred capital of \$282,789 from the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). The remaining unspent amount of \$203,060 is in deferred capital at June 30, 2020, which includes \$2,911 in interest for fiscal year 2020.

Low Carbon Transit Operations Program – The Authority received \$230,055 in operating funds for the Spare the Air program of which \$160,171 was spent, leaving \$74,291 in deferred operating, including \$4,407 in interest. The Authority spent the remaining \$29,902 of prior year deferred capital funds and \$4,387 in interest for \$34,289 of vehicle cameras and communications equipment in fiscal year 2020.

NOTE 6 - PAYABLE TO METROPOLITAN TRANSPORTATION COMMISSION

TDA regulations require the Authority to return excess operating revenues over operating costs, as defined in section 6634 of the California Code of Regulations, to MTC. The payable to MTC at June 30, 2020 was composed of such excess revenues for fiscal years 2018, 2019 and 2020 for a total of \$2,821,986. Such refundable is reported as a reduction of TDA revenues.

NOTE 7 - INSURANCE/JOINT POWERS AGREEMENT

The Authority secures vehicular, property damage, Employment Risk Management Authority and general liability coverage of up to \$100,000 per incident through its bus operations contractor. Coverage above this amount up to \$25 million per incident is secured through the Authority's participation in the California Transit Insurance Pool (CalTIP), a Joint Powers Authority. Losses over \$25 million per incident are uninsured. CalTIP was formed May 1987 to provide to its members comprehensive and economical insurance for public liability, property and other risks. CalTIP is governed by a board consisting of a representative from each of the 35 member agencies. CalTIP is independent of influence by the member agencies beyond the representation on the governing board. There has been no reduction in the Authority's insurance coverage from the prior year, and no settlement amounts have exceeded insurance coverage for the last three years.

The Authority pays a premium commensurate with the level of coverage requested. Member agencies share surpluses and deficits proportionately to their participation in the CalTIP. During the year ended June 30, 2020, the Authority paid \$573,528 to CalTIP.

Financial information of CalTIP as of and for the year ended April 30, 2019 (the most recent available) was as follows:

Total Assets	\$ 36,325,260
Total Liabilities	\$ 19,256,672
Net Position	\$ 17,068,588
Total Revenues	\$ 13,913,892
Total Expenses	\$ 7,640,584

NOTE 8—RETIREMENT PLAN / DEFERRED COMPENSATION PLAN

The Authority participates in the CalPERS Public Agency Cost-Sharing Multi-Employer Defined Benefit Pension Plan for administrative employees. CalPERS has provided a GASB 68 Accounting Valuation Report for the measurement date of June 30, 2019 upon which the following information has been derived. This report is a publically available valuation report that can be obtained at CalPERS' website under Forms and Publications. For purposes of this report the following timeframes are used.

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	June 30, 2018 to June 30, 2019

Since GASB 68 allows a measurement date of up to 12 months before the employer's fiscal year-end, the report can be used and is used for the fiscal year ending June 30, 2020.

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. The total plan contributions are determined through the CalPERS' annual valuation process. For public agency cost-sharing plans covered by either the miscellaneous or safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2019, the active employee rate for those hired before 2013 is 7% of annual pay; and for those hired after 2012, the employee rate is 6.25%. The Authority's employer's contribution rate for those hired before 2013 is 8.892% of annual payroll, and for those hired after 2012, the employer's contribution rate is 6.842%; plus the employer unfunded accrued liability (UAL) contribution amount of \$24,792. In addition to post-retirement benefits the Plan provides for sick leave credits and pre-retirement death benefits. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2019 Actuarial Valuation Report. Details of the benefits provided can be obtained in Appendix B of this report, which can be obtained at CalPERS' website under Forms and Publications.

The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Investment Rate of Return	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. It was determined by applying stress testing on various other plans and found to be adequate by CalPERS. 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 are developed for each major asset class. The plan's proportionate share of risk pool pension expense is developed as the sum of the related proportionate shares of various components of the aggregate pension expense. Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

At the start of the measurement period (July 1, 2018) the net pension liability for the plan was \$521,412 and for the measurement period ended June 30, 2019 the Authority's proportionate share of the Plan's pension expense is \$182,113.

Deferred outflows of resources as of June 30, 2019 are as follows:

Net Difference Between Expected and Actual Experience	\$ 49,520
Changes of Assumptions	23,790
Changes in Proportion	65,325
Contributions Subsequent to Measurement Date	<u>127,032</u>

**Deferred Outflows of Resources for the
Period ended June 30, 2019** **\$ 265,667**

Deferred inflows of resources as of June 30, 2019 are as follows:

Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ (13,512)
Difference in Actual vs. Proportionate Share of Contributions	(16,251)

**Deferred Inflows of Resources for the
Period ended June 30, 2019** **\$ (29,763)**

Supplementary Information	As of <u>June 30, 2019</u>
Plan's Proportion of the Net Pension Liability	.01511%
Plan's Proportionate Share of the Net Pension Liability	\$ 605,112
Plan's Covered-Employee Payroll	\$ 914,786
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	66.15%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	82.57%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 118,749
Actuarially Determined Contribution	\$ 102,498
Contributions Made	<u>(102,498)</u>
Contribution Deficiency (Excess)	\$ -
Covered-Employee Payroll	\$ 914,786
Contributions as a Percentage of Covered-Employee Payroll	11.20%

For employees hired before 2013, employees will pay 7% for employees' contribution. Employees hired after January 1, 2013 will be required to pay at least fifty percent (50%) of the total normal costs for their CalPERS defined benefit plan, which was 6.25% for the fiscal year 2019.

For employees hired before May 1, 2007 the Authority contributes 1% of all employees' salaries to International City Managers Association (ICMA), an agent multiple-employer public employee benefit system that administers deferred compensation plans for participating public entities within the State of California. For new hires, the Authority contributes 7% of their salaries to ICMA for the first 1,000 hours of employment, after which, the employees are enrolled in CalPERS. There were no new employees hired during the fiscal year 2020.

The Authority's payroll for employees covered by CalPERS for the year ended June 30, 2020 was \$1,043,790. The Authority contributed \$127,031 to CalPERS, which includes the employer UAL contribution amount of \$33,146; and \$5,400 to ICMA, for a total of \$132,431.

All full time and regular part time Authority employees are eligible to participate in ICMA. Employees are allowed to defer a percentage of their salary into the plan. Employees determine how their account balance is invested within a certain array of investment options. Benefits vest immediately. Upon retirement, the employees can select from various payout options.

NOTE 9 – CONCENTRATIONS

The Authority receives a significant amount of its support from funding administered by the State of California, including sales tax revenues from the Local Transportation Fund and diesel tax proceeds through the State Transit Assistance (STA) program. The STA program is also the source of payments made to the Authority by the BART system. A significant reduction in the level of this support, if this was to occur, may have a significant effect on the operations of the Authority.

NOTE 10 – CONTINGENCIES

The Authority receives funding from various governmental agencies that are subject to review and audit. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. It is the opinion of management that no material liabilities will result from such potential audits.

NOTE 11 – COVID-19

The COVID-19 pandemic has caused unprecedented disruption to both the Authority's revenue generating activities, and to the outside funding sources the Authority relies on to support its operations. Fare collection was suspended in March, 2020, and it remains unclear when cash fare collection can be reinstated safely. Demand for the Authority's transit services dropped by approximately 80% when the first shelter in place orders took effect, and while there have been small increases in the number of system boardings, capacity limits have been implemented to ensure that social distancing can be maintained on each vehicle. The Authority has taken steps to reduce overall service levels throughout its system, while maintaining adequate coverage and scheduled services to meet the mobility needs of essential workers and those without alternative transportation. Federal CARES Act assistance has allowed the Authority to meet its financial obligations without drawing down its reserves in both fiscal years 2020 and 2021. As the pandemic continues, however, the Authority will experience significant financial challenges, and may be required to reassess the services it now provides to the community and the region.

NOTE 12 – SUBSEQUENT EVENTS

These financial statements considered subsequent events through September 25, 2020 the date the financial statements were available to be issued. The Authority's management has evaluated events and transactions subsequent to June 30, 2020 for potential recognition or disclosure in the financial statements. The Authority did not have any subsequent events that required recognition or disclosure in the financial statements for the year ended June 30, 2020. Subsequent events have been evaluated through September 25, 2020 the date the financial statements became available to be issued. The entity has not evaluated subsequent events after September 25, 2020.

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

To the Board of Directors
Western Contra Costa Transit Authority:

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Western Contra Costa County Transit District, the Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards or State grant program requirements.

Purpose of this Report

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

Carathimas & Associates
Carathimas & Associates, Certified Public Accountant
September 25, 2020

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, THE TRANSPORTATION DEVELOPMENT ACT AND OTHER STATE PROGRAM GUIDELINES

To the Board of Directors
Western Contra Costa Transit Authority

I have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Western Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued my report thereon dated September 25, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, I 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 Authority'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters (including State grant programs)

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, I 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 determination of financial statement amounts. My procedures included the applicable audit procedures contained in §6667 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act (TDA) and the allocation instructions and resolutions of the Metropolitan Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters 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 my 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, the TDA, and State grant programs in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Carathimas & Associates, Certified Public Accountant
September 25, 2020

WESTERN CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF REFUNDABLE TO METROPOLITAN TRANSPORTATION COMMISSION
Year Ended June 30, 2020

OPERATING REVENUES	
Passenger Fares	\$ 1,861,721
Advertising Revenue	29,756
	<hr/>
Total Operating Revenues	1,891,477
 OPERATING EXPENSES	
Operations	9,235,998
General and Administrative	1,279,245
Maintenance – Vehicles	1,548,900
Maintenance – Other	231,028
	<hr/>
Total Operating Expenses	12,295,171
 Operating Loss	 <u>(10,403,694)</u>
 NON-OPERATING REVENUES	
Interest Income	8,284
Operating Assistance and Grants From Governmental Agencies:	
Bay Area Rapid Transit District	2,956,234
Transportation Development Act	3,086,276
State Transit Assistance	1,319,506
Low Carbon Transit Operations Program	160,371
Regional Measure 2	1,066,374
Measure J	1,705,671
Federal Transit Administration	508,133
	<hr/>
Total Non-Operating Revenues	10,810,849
 Refundable to Metropolitan Transportation Commission	 <u><u>\$ 407,155</u></u>