

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

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**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2023

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors
Western Contra Costa Transit Authority
Pinole, California

In planning and performing our audit of the basic financial statements of the Western Contra Costa Transit Authority (Authority) as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, 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 Authority'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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

Management's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying Schedule of Material Weaknesses and Schedule of Other Matters. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Maze + Associates". The signature is written in a cursive, flowing style.

Pleasant Hill, California
October 24, 2023

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next few years. We cite them here to keep you informed of developments:

EFFECTIVE FISCAL YEARS 2022, 2023 and 2024:

GASB 99 – Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 99 – Omnibus 2022 (Continued)

- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The Requirements of this Statement are Effective as Follows:

The requirements in paragraphs 26–32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.

The requirements in paragraphs 11–25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements in paragraphs 4–10 related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged and is permitted by individual topic.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2024:

GASB 100 – Accounting for Changes and Error Corrections

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2025:

GASB 101 – Compensated Absences

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition And Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes To Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

SCHEDULE OF OTHER MATTERS

GASB 101 – Compensated Absences (Continued)

How the Changes in this Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

CURRENT STATUS OF PRIOR YEAR MATERIAL WEAKNESS

2022-01: Journal Entry Reviews and Approvals

Criteria: Journal entries are an important transaction cycle that affects all aspects of accounting and financial reporting. Prudent internal control concepts dictate that no single employee should process a transaction without the involvement of another employee. For journal entries, this typically takes the form of a second employee performing a review and approving the proposed entry prior to posting. The review and approval should be documented by a reviewer signing and dating that their review has been completed and the entry is approved.

Condition: We selected journal entries for testing but were informed that during a period of transition of the outside CPA and the Accounting Clerk, some journal entries were posted without a second review or approval. In addition, there are no documentation that shows who prepared and reviewed the journal entries. The lack of review and documentations represents a material weakness and a potential th3at some journal entries may not be appropriate.

Effect: Without proper approval of journal entries the likelihood of error, improper accounting treatments, and potential fraud increase.

Cause: Staffing shortages and changes.

Recommendation: We recommend that the Authority implement a park and place function that allows someone to create entries and then alerts and allows the proper authorized employees to review and approve the entry prior to posting.

Current Status: The Authority has put the auditor's recommendation into practice and has implemented a procedure that allows the Finance Manager to create entries, and allows the properly authorized employees to review and approve the entry before posting.

2022-02: Bank Reconciliation Timeliness and Review

Criteria: Bank reconciliations are an important element of the Authority's internal control structure. In order to have an effective control, the Authority should complete bank reconciliations as soon as possible after each month-end, usually within thirty days of receipt of statements, and subsequently reviewed for accuracy. Errors and un-reconciled differences should be researched, understood and corrected immediately, so as to prevent additional errors and a decrease in efficiency.

The Uniform Commercial Codes provides that under certain conditions, the most important being timely bank reconciliation, depositors who detect fraudulent transactions and inform their banks in a timely manner will not be responsible for the fraud loss. Banks will pay for that loss.

Condition: We reviewed the bank reconciliation for September 2021, December 2021 and March 2022 for the four bank accounts of the Authority. During that review, we found that most were not completed within 30 days. Also, one of the September 2021 reconciliations did not indicate the date of the review.

Effect: As a result of late bank reconciliations, errors and/or check fraud may not be detected and corrected in a timely manner.

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CURRENT STATUS OF PRIOR YEAR MATERIAL WEAKNESS

Cause: We were told that after the prior outside CPA and Accounting Clerk left the Authority, staffing shortages made timely reconciliations difficult.

Recommendation: The Authority should consider bank reconciliations as a high priority and bring it to a current status as soon as possible.

Current Status: The Authority considers bank reconciliations a high priority and has put the auditor's recommendation into practice and has implemented a procedure to have all bank reconciliations completed in a timely manner.

REQUIRED COMMUNICATIONS

To the Board of Directors
Western Contra Costa Transit Authority
Pinole, California

We have audited the basic financial statements of the Western Contra Costa Transit Authority (Authority) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, 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 July 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies – Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 96 – Subscription Base IT Arrangements

GASB 91 – Conduit Debt Obligations

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB 93 – Omnibus 2022, paragraphs 11-25

Unusual Transactions, Controversial or Emerging Areas – We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates – Accounting estimates are an integral part of the 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 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 financial statements were:

Estimated Fair Value of Investments: As of June 30, 2023, the Authority held approximately \$5.9 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2023. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2023.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net Pension Assets and Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension assets and liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Authority. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures – The 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

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 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 a management representation letter dated October 24, 2023.

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 financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information that accompanies and supplements 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 required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanying the financial statements but are not required supplementary information. 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 financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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



Pleasant Hill, California
October 24, 2023

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**WESTERN CONTRA COSTA
TRANSIT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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**WESTERN CONTRA COSTA TRANSIT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Contra Costa Transit Authority
Pinole, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Western Contra Costa Transit Authority (Authority), California, as of and for the year ended June 30, 2023, 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 financial position of the business-type activities of the Authority as of June 30, 2023, and the 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 requirement 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 these 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 the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing 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 other 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 Supplementary Information, as listed in the Table of Contents, 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023, 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 the Authority's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
October 24, 2023

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**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

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, 2023.

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 2023 and 2022 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 2023 and 2022. 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 \$14,881,400 at June 30, 2023, a decrease of \$1,721,407 from June 30, 2022.

A condensed summary of the Authority's statement of net position on June 30, 2023, and 2022 is shown below:

Summary of Net Position

	June 30, 2023	June 30, 2022
ASSETS:		
Current Assets	\$ 8,904,513	\$ 6,298,853
Capital Assets (Net of Accumulated Depreciation)	14,881,400	16,602,807
Total Assets	23,786,913	22,901,660
Deferred Outflows of Resources:		
Pension Related	584,389	249,273
LIABILITIES:		
Current Liabilities	8,863,538	6,717,169
Deferred Capital Funds	170,653	110
Net Pension Liability	894,101	219,322
Total Liabilities	9,927,043	6,936,601
Deferred Inflows of Resources:		
Pension Related	46,646	201,679
NET POSITION:		
Net Investment in Capital Assets	14,881,400	16,602,807
Unrestricted	(484,787)	(590,154)
Total Net Position	\$14,396,613	\$16,012,653

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; and 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 \$1,721,407 during the year ended June 30, 2023, because capital assets purchased were less than the depreciation expense of \$2,325,560. Capital assets purchased decreased from \$2,863,808 in 2022 to \$604,153 in 2023.

The net pension liability of \$894,101 is recognized at June 30, 2023, 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 (\$484,787) represents the unfunded pension liability as of June 30, 2023.

FINANCIAL OPERATIONS SUMMARY

A condensed summary of the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2023, and 2022 is shown below:

Summary of Revenues, Expenses, and Changes in Net Position

	<u>FY 2023</u>	<u>FY 2022</u>
Operating Revenues	<u>\$1,223,400</u>	<u>\$ 998,119</u>
Operating Expenses:		
Operations	9,776,355	9,813,713
General and Administrative	1,401,566	1,056,841
Maintenance – Vehicles	1,560,152	1,484,924
Maintenance – Other	433,867	232,325
Depreciation	<u>2,325,560</u>	<u>2,311,975</u>
Total Operating Expenses	<u>15,497,500</u>	<u>14,899,778</u>
Non-Operating Revenues (Expenses):		
Interest Income	63,137	9,153
Other Non-Operating Revenue	0	33,247
Operating Assistance from Governmental Agencies	11,885,404	11,534,153
Capital Contributions	<u>709,519</u>	<u>2,708,490</u>
Total Non-Operating Revenues	<u>12,658,060</u>	<u>14,285,043</u>
Change in Net Position	(1,616,040)	396,516
Total Net Position - Beginning	<u>16,012,653</u>	<u>15,616,137</u>
Total Net Position - Ending	<u>\$14,396.613</u>	<u>\$16,012,653</u>

During the year ended June 30, 2023, operating revenues increased approximately \$225,281 due to increased fare box receipts, reflecting the ongoing recovery of COVID-19 on ridership. Total operating expenses, not including depreciation, increased by \$584,137. The largest change in expenses resulted from an increase in General and Administrative Pension expenses that are related to the annual GASB 68 adjustment. The unadjusted balance showing the Pension Contributions subsequent to the measurement date of June 30, 2022, was \$136,899, which is below the Authority's approved budget for FY23 of \$138,900. For FY24 the Authority will begin reporting its long-term Pension obligation on a separate expense line item, for the purposes of clarification and reconciliation to the financials.

Depreciation increased by about \$13,585 for a total increase of \$597,722 in operating expenses, including depreciation.

There was a moderate increase in operating assistance in fiscal year 2023 of about \$351,251, mainly due to a final allocation of Federal ARPA funds used toward the Authority's Purchased Transportation expenses. Capital contributions available to the Authority decreased by about \$1,998,971 in fiscal year 2023. This is due to this year's smaller capital program and the corresponding change in Federal and State capital funding.

CAPITAL ACQUISITIONS

During the fiscal year 2023, the Authority completed two CAD/AVL project phases: Phase 2; Genfare-GFI integration and GTFS/511 feed with \$27,000 of prior year TDA and Phase 3 Retrofit; completion of installation with \$56,258 of FTA 5307 and prior year TDA funds. The Authority purchased GENFARE Farebox parts with \$6,436 prior year TDA funds. The Authority initiated a major project to replace its bus wash equipment five years ago and expended an additional \$416,244 of fiscal year 2023 and prior year TDA funds this year. The overall cost of the project was approximately \$2.8 million. Work commenced in September 2020 with a completion date of August 2023. Office equipment and facility upgrades accounted for \$98,215 in capital asset additions, which were funded by prior year TDA capital contributions.

CURRENT FACTORS

While the COVID-19 pandemic is significantly more under control than in the past three years, it is still impossible to assess the full extent to which traditional funding sources and operating costs will be impacted in the long term, the ways in which the virus has affected passenger demand, and the overall changes to travel patterns for public transit services. Ridership has only slowly begun to return, and the pandemic has caused significant and sustained damage to the Authority's operations and finances.

The Authority faces many uncertainties in planning for a post-COVID future. These include the unknown future demand for public transportation. It is also still unclear how 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 a number of its fixed route and Dial-A-Ride vehicles in the upcoming 18 months, 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. The amount of Federal funding available continues to decline as the costs of vehicles increase and the agency competes with other agencies for fewer available dollars.

To cover the replacement needs alone in the next 2 years, the Authority will need to assemble approximately \$3.2 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. 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.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Current Assets:

Cash	\$5,871,648
Accounts Receivable	475,459
Grants Receivable	2,409,211
Prepaid Expenses	148,195
Total Current Assets	8,904,513

Non-Current Assets:

Capital Assets, depreciable (Net of Accumulated Depreciation)	14,881,400
Total Non-Current Assets	14,881,400

Total Assets

23,785,913

Deferred Outflows of Resources:

Pension related	584,389
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	495,242
Deferred Operating Funds	934,211
Payable to Metropolitan Transportation Commission	7,432,836
Total Current Liabilities	8,862,289

Non-Current Liabilities:

Deferred Capital Funds	170,653
Net Pension Liability	894,101
Total Non-Current Liabilities	1,064,754

Total Liabilities

9,927,043

Deferred Inflows of Resources:

Pension related	46,646
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NET POSITION

Net Investment in Capital Assets	14,881,400
Unrestricted	(484,787)

Total Net Position

\$14,396,613

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

OPERATING REVENUES	
Passenger Fares	\$1,173,474
Advertising Revenues	49,926
Total Operating Revenues	<u>1,223,400</u>
 OPERATING EXPENSES	
Operations	9,776,355
General and Administrative	1,401,566
Maintenance - Vehicles	1,560,152
Maintenance - Other	433,867
Depreciation	2,325,560
Total Operating Expenses	<u>15,497,500</u>
 Operating Loss	 (14,274,100)
 NON-OPERATING REVENUES (EXPENSES)	
Interest Revenue	63,137
Operating Assistance:	
Bay Area Rapid Transit District	2,784,417
Transportation Development Act	906,715
State Transit Assistance	1,099,706
Low Carbon Transit Operations Program	177,984
Regional Measure 2	937,633
Regional Measure 3	1,145,359
Measure J	2,093,466
Federal Transit Administration	2,740,124
Net Non-Operating Revenues	<u>11,948,541</u>
 Loss Before Capital Contributions	 (2,325,559)
 CAPITAL CONTRIBUTIONS	 <u>709,519</u>
 Change in Net Position	 (1,616,040)
Net Position, July 1, 2022	<u>16,012,653</u>
 Net Position, June 30, 2023	 <u><u>\$14,396,613</u></u>

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from passengers	\$1,075,953
Payments to employees for services	(1,216,936)
Payments to suppliers for goods and services	(9,767,910)
Receipts from advertisers	49,926
Cash Used by Operating Activities	<u><u>(9,858,967)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>63,137</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Operating assistance received	<u>11,885,404</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(604,153)
Capital grants received	709,519
Cash Received (Used) by Capital and Related Financing Activities	<u><u>105,366</u></u>

Increase (decrease) in cash	2,194,940
Cash, July 1, 2022	<u>3,676,708</u>
Cash, June 30, 2023	<u><u>\$5,871,648</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating loss	(\$14,274,100)
Depreciation	2,325,560
Increase (decrease) in accounts receivable	(97,521)
Increase (decrease) in grants receivable	(345,072)
Increase (decrease) in prepaid expenses	31,873
Increase (decrease) in deferred outflows of resources - pensions	(335,116)
Decrease (increase) in accounts payable and accrued liabilities	2,014,139
Decrease (increase) in deferred operating funds	301,524
Decrease (increase) in net pension liabilities	674,779
Decrease (increase) in deferred inflows of resources - pensions	<u>(155,033)</u>
Net cash provided (used) by operating activities	<u><u>(\$9,858,967)</u></u>

See accompanying notes to financial statements.

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WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 up to twenty days of vacation benefits. The Authority has accrued \$15,590 for this liability at June 30, 2023.

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.

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.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Lease Accounting

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. The Authority does not currently have any leases that meet the definition under GASB 87.3

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

Cash in bank and on hand	\$2,635,386
Cash with Local Agency Investment Fund (LAIF)	<u>3,236,262</u>
Total Cash and Investment	<u><u>\$5,871,648</u></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 is a voluntary participant in LAIF that is regulated by the California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Town’s investment in this pool as reported in the accompanying financial statements is based upon the Entity’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 is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. At June 30, 2023, the average life on investment funds invested by LAIF was 260 days.

NOTE 4 – CAPITAL ASSETS

Capital assets of the Authority consist of transit facilities, transportation equipment and other equipment. Capital assets are recorded at historical 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	3 - 10 years

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2023, were as follows:

	Balance June 30, 2022	Additions / Adjustments	Retirements	Balance June 30, 2023
Facilities	\$9,286,101	\$483,992	(\$4,195)	\$9,765,898
Transportation Equipment	28,524,140	89,694		\$28,613,834
Other Equipment	487,659	30,467	(13,357)	504,769
Total Capital Assets	38,297,900	604,153	(17,552)	38,884,501
Less Accumulated Depreciation	(21,695,093)	(2,325,560)	17,552	(24,003,101)
Capital assets, net	<u>\$16,602,807</u>	<u>(\$1,721,407)</u>		<u>\$14,881,400</u>

NOTE 5 – OPERATING AND CAPITAL ASSISTANCE

Bay Area Rapid Transit District – Operating funds from BART consist of \$2,493,826 in State Transit Assistance (STA) funds and \$290,591 in Transportation Development Act funds.

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.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – OPERATING AND CAPITAL ASSISTANCE(Continued)

State Transit Assistance- State of Good Repair Program Funds– STA-State of Good Repair (SGR) Program Senate Bill (SB) 1 established the State of Good Repair (SGR) Program. The funds from the SGR Program follow the same state-wide distribution policies as the regular STA program, with a Revenue-Based and Population-Based program. The Authority did not spend any of its available STA-SGR capital funds in fiscal year ended June 30, 2023.

Project Name	Grant Amount	Interest Earned		Expended in Fiscal		Unearned Revenue
		Prior Years	2022-23	Prior Years	2022-23	
SGR Programs						
FY 22 Local Match Vehicle Purchase	\$82,512	\$111	\$1,919			\$84,542
FY 23 Local Match Vehicle Purchase	85,542		569			86,111
Total State of Good Repair	<u>168,054</u>	<u>111</u>	<u>2,488</u>			<u>170,653</u>
Total Unearned Revenues						<u>170,653</u>

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.

Regional Measure 3 – 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 Regional Measure 3 Expenditure Plan.

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 preventative maintenance program, and capital assistance for the Authority’s CAD/AVL Phase 3 (install) - (FTA 5307 \$25,311). ARP Act Funds for operating assistance were also received.

Low Carbon Transit Operations Program – The Authority spent \$177,984 in operating funds for the Spare the Air program, which was comprised of \$174,092 in deferred operating funds, including \$3,892 in interest.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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. Due to uncertainties surrounding the revenue available to fund ongoing operating costs through the Authority’s traditional funding sources, the Authority maintains a rolling three-year period in which it returns any unused portions of the TDA Articles 4 and 4.5 funds (two subsections: 99260(a) and 99275) of the California Public Utilities Code it received. According to the underlying TDA allocation instructions issued by the Metropolitan Transportation Commission (MTC), eligible costs must be incurred on or before June 30 of the fiscal year for which funds are allocated. Unused portions must be returned to the County’s Local Transportation Fund (LTF). As of June 30, 2023, the Authority returned \$1,856,627 to the County’s LTF (FY19- \$1,449,472 and FY20- \$407,155).

A summary of the portion to be returned to the County’s LTF as of the fiscal year ended June 30 follows:

June 30, 2023	\$3,653,045
June 30, 2022	2,678,100
June 30, 2021	<u>1,101,691</u>
Total	<u>\$7,432,836</u>

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, 2023, the Authority paid \$376,137 to CalTIP.

Financial information of CalTIP as of and for the year ended April 30, 2022 (the most recent available) was as follows:

Total Assets	\$ 46,536,262
Total Liabilities	\$ 22,421,134
Net Position	\$ 26,115,128
Total Revenues	\$ 15,106,543
Total Expenses	\$ 14,136,598

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority’s separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority’s resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.000% - 2.50%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.32%	7.47%

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. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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 contribution rate of employees.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2023, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$136,899

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2023, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$894,101

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2021 and 2022 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2021	0.0116%
Proportion - June 30, 2022	0.0077%
Change - Increase (Decrease)	-0.0038%

For the year ended June 30, 2023, the Authority recognized pension expense of \$184,630. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$136,899	
Differences between expected and actual experience	17,955	(\$12,026)
Changes of assumptions	91,619	
Change in proportion and differences between employer contributions and proportionate share of contributions	174,140	(34,620)
Net difference between projected and actual earnings on pension plan investments	163,776	
Total	<u>\$584,389</u>	<u>(\$46,646)</u>

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLAN (Continued)

\$321,529 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2024	\$128,751
2025	111,354
2026	60,568
2027	100,171
Thereafter	

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increases	Varies by entry age and service (1)
Investment Rate of Return	6.90% (2)
Mortality Rate Table	Derived using CalPERS' membership data for all funds (3)
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

(1) Depending on age, service, and type of employment.

(2) Net of pension plan investment expenses, including inflation.

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

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

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLAN (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for the assumed administrative expenses of 10 basis points.

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

Asset Class (a)	New Strategic Allocation	Real Return (a), (b)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	<u>100%</u>	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	\$1,517,792
Current Discount Rate	6.90%
Net Pension Liability	\$894,101
1% Increase	7.90%
Net Pension Liability	\$380,958

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

NOTE 9 – DEFERRED COMPENSATION PLAN

For employees hired before May 1, 2007 the Authority contributes 1% of all employees’ salaries to International City Managers Association (ICMA), now MissionSquare Retirement, a defined contribution 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 MissionSquare Retirement for the first 1,000 hours of employment, after which, the employees are enrolled in CalPERS. The Plan’s trust administrator is Mission Square Retirement, P.O. Box 96220, Washington, DC 20090-6220. There were no new employees hired during the fiscal year 2023.

All full time and regular part time Authority employees are eligible to participate in MissionSquare Retirement. 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. During the fiscal year 2023, the Authority contributed \$3,333 to the plan.

NOTE 10 – 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 11 – 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.

REQUIRED SUPPLEMENTARY INFORMATION

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WESTERN CONTRA COSTA TRANSIT AUTHORITY
 Cost-Sharing Multiple-Employer Defined Pension Plan
 Last 10 Years*
 SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY AND RELATED RATIOS AS OF
 THE MEASUREMENT DATE

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
Plan's proportion of the Net Pension Liability (Asset)	0.0138%	0.0295%	0.0151%	0.0136%	0.0138%	0.0151%	0.0164%	0.0116%	0.0077%
Plan's proportion share of the Net Pension Liability (Asset)	\$859,495	\$808,383	\$523,652	\$537,394	\$521,412	\$605,112	\$690,555	\$219,322	\$894,101
Plan's Covered Payroll	\$591,498	\$647,939	\$690,283	\$863,582	\$891,011	\$914,786	\$1,043,790	\$955,240	\$956,046
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	145.31%	124.76%	75.86%	62.23%	58.52%	66.15%	66.16%	22.96%	93.52%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	61.20%	66.19%	80.31%	81.75%	83.50%	82.57%	82.03%	94.81%	80.46%

Change in assumption - In 2022, the accounting discount rate decreased from 7.15% to 6.90%.

*- Fiscal year 2015 was the 1st year of implementation.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
 Cost-Sharing Multiple Employer Defined Pension Plan
 Last 10 Years*
 SCHEDULE OF CONTRIBUTIONS

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$156,188	\$178,760	\$158,462	\$81,063	\$89,072	\$102,498	\$127,032	\$152,322	\$136,899
Contributions in relation to the actuarially determined contributions	(156,188)	(178,760)	(506,339)	(81,063)	(\$89,072)	(\$102,498)	(\$127,032)	(\$152,322)	(\$136,899)
Contribution deficiency (excess)	\$0	\$0	(\$347,877)	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$647,939	\$690,283	\$863,582	\$891,011	\$914,786	\$1,043,790	\$955,240	\$956,046	\$743,217
Contributions as a percentage of covered payroll	24.11%	25.90%	18.35%	9.10%	9.74%	9.82%	13.30%	15.93%	18.42%

*Fiscal year 2015 was the 1st year of implementation.

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SUPPLEMENTARY INFORMATION

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WESTERN CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF REFUNDABLE TO METROPOLITAN TRANSPORTATION COMMISSION
Year Ended June 30, 2023

OPERATING REVENUES	
Passenger Fares	\$ 1,173,474
Advertising Revenue	49,926
	<u>1,223,400</u>
Total Operating Revenues	1,223,400
 OPERATING EXPENSES	
Operations	9,776,355
General and Administrative	1,401,566
Maintenance – Vehicles	1,560,152
Maintenance – Other	433,867
	<u>13,171,940</u>
Total Operating Expenses	13,171,940
 Operating Loss	 (11,948,540)
 NON-OPERATING REVENUES	
Interest Income	63,137
Other Non-Operating Revenues	
Operating Assistance and Grants From Governmental Agencies:	
Bay Area Rapid Transit District	2,784,417
Transportation Development Act	4,559,759
State Transit Assistance	1,099,706
Low Carbon Transit Operations Program	177,984
Regional Measure 2	937,633
Regional Measure 3	1,145,359
Measure J	2,093,466
Federal Transit Administration	2,740,124
	<u>15,601,585</u>
Total Non-Operating Revenues	15,601,585
 Refundable to Metropolitan Transportation Commission for June 30, 2023	 \$ 3,653,045

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