

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
ANTIOCH, CALIFORNIA**

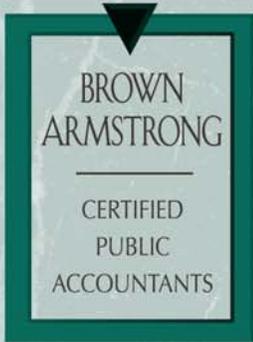
**BASIC FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

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

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

**TABLE OF CONTENTS**

	<u>Page</u>
<u>Financial Section</u>	
Independent Auditor's Report .....	1
Management's Discussion and Analysis .....	3
 <u>Basic Financial Statements</u>	
Statement of Net Position .....	8
Statement of Revenues, Expenses, and Changes in Net Position.....	9
Statement of Cash Flows .....	10
Notes to Basic Financial Statements .....	12
 <u>Required Supplementary Information</u>	
Schedule of Changes in the Net Other Postemployment Benefits (OPEB) Liability and Related Ratios .....	25
 <u>Other Report</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance with the Transportation Development Act and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	26



# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the  
Eastern Contra Costa Transit Authority  
Antioch, California

### Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Eastern Contra Costa Transit Authority (the Authority), as of and for the fiscal year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Basic Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

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

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

#### BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

#### FRESNO OFFICE

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

#### STOCKTON OFFICE

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

## Opinion

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

## Other Matters

### *Required Supplementary Information*

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
January 20, 2021

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

**Introduction**

This discussion and analysis of the Eastern Contra Costa Transit Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for Fiscal Year 2020 including comparisons to the prior year. This information should be considered in conjunction with the statements and notes contained in the Financial Section.

**Overview of the Financial Statements**

The Financial Section of this report presents the Authority's financial statements including the basic financial statements and the notes to those financial statements. It also includes the Independent Auditor's Report on those financial statements as well as certain grant activities.

**Basic Financial Statements**

The *Statement of Net Position* presents information about the assets, liabilities and deferred inflows of resources and the difference between them as *net position*. The change in net position over time can indicate whether the Authority's financial position is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* indicates how net position has changed during the fiscal year as well as compares operating revenues and operating expenses between the current and prior fiscal year. The operating revenues and expenses shown here are the financial activities related to the Authority's mission of providing public transportation services in Eastern Contra Costa County. The revenues and expenses reported include fares and advertising revenues along with the cost of passenger services, administration and operation of those services, and the depreciation of fixed assets. All other revenues and expenses not included within these categories are reported as non-operating revenues and expenses.

The *Statement of Cash Flows* reports the inflow and outflow of cash at the Authority. Such activity is classified into four major components:

- *Cash flows from operating activities* include transactions reported as components of operating income in the statement of revenues, expenses and changes in net position.
- *Cash flows from investing activities* include interest and similar returns on funds invested while held by the Authority.
- *Cash flows from non-capital financing activities* include operating grant funding received as well as operating payments from third parties and non-operating items.
- *Cash flows from capital and related financing activities* come from the procurement of capital assets and the proceeds of capital grants.

**Notes to the Financial Statements**

The Notes to Basic Financial Statements immediately following are intended to provide additional information that is essential for the reader to gain a full understanding of the information provided within the financial statements.

## Analysis of the Authority's Overall Financial Position

As of June 30, 2020, and 2019 (in thousands)

	2020	2019	2020 to 2019	
			Increase/Decrease Amount	%
Current assets	\$ 6,641	\$ 7,155	\$ (514)	-7.18%
Noncurrent assets	29,719	32,848	(3,129)	-9.53%
<b>Total assets</b>	<b>\$ 36,360</b>	<b>\$ 40,003</b>	<b>\$ (3,643)</b>	<b>-9.11%</b>
Current liabilities	\$ 4,983	\$ 4,667	\$ 316	6.77%
Noncurrent liabilities	1,243	1,539	(296)	-19.23%
<b>Total liabilities</b>	<b>6,226</b>	<b>6,206</b>	<b>20</b>	<b>0.32%</b>
Deferred inflows of resources	-	294	(294)	-100.00%
<b>Net Position</b>	<b>\$ 30,134</b>	<b>\$ 33,503</b>	<b>\$ (3,369)</b>	<b>-10.06%</b>

During FY20 the Authority ended its fuel hedging strategy for diesel fuel consumption due to significant losses that can be attributed to the coronavirus pandemic. This derivative instrument non-current asset and deferred inflows of resources represented the fair market value of the hedging account over the Authority's net investment.

The non-current assets accounts for the largest decrease in financial position. There was minimal capital activity in FY20 while there was a significant decrease due to the depreciation of existing capital assets.

The 10% decrease in the Authority's net position in FY20 is due to the items described above.

The 19.23% decrease in noncurrent liabilities is due to a reduction in the Authority's net other postemployment benefit (OPEB) liability and payments made on the Authority's payable.

### Capital Activity

The Authority expended less than \$1 million of available capital funds during FY20.

Revenue Vehicles	\$ 286,791
Non Revenue Vehicles	-
Facilities and Equipment	204,296
Field Amenities and Fixtures	5,572
A&E for Park and Ride Lot	227,275
	<u>\$ 723,934</u>

Revenue vehicles remain the major component of the Authority's net capital assets and will do so going forward.

## Operating Activity

### **Comparison to Budget** As of June 30, 2020 (in thousands)

	<u>FY 20 Actual</u>	<u>FY 20 Budget</u>	<u>Variance</u>
Operating Revenues	\$ 2,069	\$ 2,259	\$ (190)
Operating Expenses, Excluding Depreciation	23,031	23,849	(818)
Nonoperating Revenues	21,152	21,590	(438)

### **Prior Year Comparison** As of June 30, 2020, and 2019 (in thousands)

	<u>FY 20 Actual</u>	<u>FY 19 Actual</u>	<u>Variance</u>
Operating Revenues	\$ 2,069	\$ 2,325	\$ (256)
Operating Expenses, Excluding Depreciation	23,031	22,004	1,027
Nonoperating Revenues	21,142	19,335	1,807

During FY20, the Authority budgeted for 223 thousand billable service hours and actually provided 250 thousand billable hours of service through an operations contractor. There are several factors that account for the significant increase. The first would be the popularity of new Demand Response services Mobility on Demand and Tri MyRide. The rest can be attributed to the coronavirus pandemic. While service was reduced due to a huge decrease in ridership and demand, billable hours remained normal because of a Guarantee Pay established to avoid layoffs and to maintain the operators once normal service is restored.

While the Authority anticipated providing 1.8 million passenger trips in FY20, the actual number of passenger trips at 1.55 million fell short of plan. The shortfall was a direct result of a 14% drop in fixed route and paratransit passengers from the previous year. While declining ridership has been an industry wide trend for several years, the significant decrease was caused by the shelter-in-place orders set forth in March, 2020 due to the coronavirus pandemic.

Material variances from budget during FY20 for the Authority included \$445 thousand in increased costs on Materials and Supplies, this was due to increased costs for fuel and also supplies to address the coronavirus pandemic. There was a favorable variation in Miscellaneous Expenses of \$169 thousand attributed to decreased costs in travel and advertising.

Otherwise, there were no other material cost overages in any expense line item during FY20.

Fuel costs remain 8% of the Authority's annual budget. The Authority entered into fuel hedging contract as a way of avoiding fuel price volatility effects on service planning and provision but the account was closed in FY20.

<b>KEY PERFORMANCE INDICATORS BY SERVICE PARATRANSIT</b>					
	Budget		ANNUAL COMPARISON		
	June 30, 2020	% Change	Actual June 30, 2019	Actual June 30, 2020	% Change
<b>PASSENGERS</b>					
Total DAR Trips Provided	158,115	-1.4%	160,346	172,878	7.8%
Average Weekday Ridership	568	-1.9%	579	620	7.1%
Average Sat Ridership	179	-1.1%	181	200	10.5%
Average Sun/Hol Ridership	101	-3.8%	105	108	2.9%
Average Passengers/Hour (weekdays regular paratransit only)	3.0	-3.2%	3.1	2.5	-19.4%
<b>CUSTOMER SERVICE</b>					
Ride Refusals / Day	-	0.0%	-	-	0.0%
Customer Complaints	0.496%	16.4%	0.426%	0.183%	-57.0%
On Time Performance	70%	11.1%	63%	86%	36.5%
<b>MAINTENANCE</b>					
Gallons of Fuel Consumed	107,424	-2.2%	109,838	129,220	17.6%
Miles Between Preventable Accidents	200,000	-49.3%	394,339	133,545	-66.1%
Miles Between Road Calls	100,000	-87.3%	789,072	934,920	18.5%
<b>COST RATIOS</b>					
Farebox Recovery Ratio	7%	-30.0%	10%	10%	0.0%
\$/Gal Fuel	\$ 3.44	5.2%	\$ 3.27	\$ 3.09	-5.5%
Operating Cost/Passenger	\$ 34.69	48.1%	\$ 23.43	\$ 28.62	22.2%
Operating Cost/Revenue Hour	\$ 99.82	43.1%	\$ 69.74	\$ 77.84	11.6%
Operating Cost/Revenue Mile	\$ 5.95	2.6%	\$ 5.80	\$ 5.19	-10.5%

<b>KEY PERFORMANCE INDICATORS BY SERVICE FIXED ROUTE</b>					
	Budget		ANNUAL COMPARISON		
	June 30, 2020	% Change	Actual June 30, 2019	Actual June 30, 2020	% Change
<b>PASSENGERS</b>					
Total FR Trips Provided	1,638,490	-10.2%	1,825,574	1,377,647	-24.5%
Average Weekday Ridership	5,771	-10.6%	6,455	4,806	-25.5%
Average Sat Ridership	1,901	-11.6%	2,150	1,658	-22.9%
Average Sun/Hol Ridership	1,471	-11.7%	1,665	1,350	-18.9%
Average Passengers/Hour	10.3	-14.2%	12.0	9.3	-22.5%
<b>CUSTOMER SERVICE</b>					
Customer Complaints	0.035%	0.0%	0.035%	0.035%	0.0%
On Time Performance	84%	2.4%	82%	86%	4.9%
<b>MAINTENANCE</b>					
Gallons of Fuel Consumed	551,739	2.2%	539,672	521,476	-3.4%
Miles Between Preventable Accidents	100,000	18.5%	84,366	88,271	4.6%
Miles Between Road Calls	50,000	39.0%	35,980	32,207	-10.5%
<b>COST RATIOS</b>					
Farebox Recovery Ratio	9%	0.0%	9%	7%	-22.2%
\$/Gal Fuel	\$ 2.92	0.7%	\$ 2.90	\$ 3.24	11.7%
Operating Cost/Passenger	\$ 11.21	14.4%	\$ 9.80	\$ 13.45	37.2%
Operating Cost/Revenue Hour	\$ 114.88	-2.6%	\$ 117.91	\$ 124.85	5.9%
Operating Cost/Revenue Mile	\$ 9.00	-2.6%	\$ 9.24	\$ 9.89	7.0%

### Economic Factors and Next Year's Budget and Rates

The uncertainty surrounding the duration of the coronavirus pandemic is a major concern for the Authority. Fare revenues and funding from state and local non-operating revenues are decreasing while operating expenses are increasing.

Rising costs are always problematic when they don't coincide with increased revenues or levels of service. The rapidly rising costs of employee benefits such as health care, the provision of adequate retirement programs and worker's compensation are one of those costs. This affects not only Authority employees, but the employees of the Purchased transportation contract provider as well because it impacts the amounts the Authority must pay for those contracts. The purchased transportation contract was extended at the beginning of FY20 and there was a significant increase in both the fixed and variable hourly cost.

### **Requests for Information**

This financial report was created to provide citizens, taxpayers, as well as the Authority's customers and creditors with a general overview of the Authority's finances. It is designed to demonstrate agency accountability for appropriate use of public funds that the Authority receives. Any questions or requests for additional information can be made to:

The Eastern Contra Costa Transit Authority  
Attn: Controller  
801 Wilbur Avenue  
Antioch, CA 94590  
(925) 754-6622  
[comment@eccta.org](mailto:comment@eccta.org)

Copies of this report are available online: <http://www.trideltatransit.com/public.aspx>.

## **BASIC FINANCIAL STATEMENTS**

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

**ASSETS**

Current Assets	
Unrestricted assets:	
Cash and equivalents (Note 3)	\$ 3,615,877
Operating assistance receivable	1,695,951
Accounts receivable	158,885
Maintenance inventories and supplies, at cost	725,632
Prepays (Note 13)	<u>6,148</u>
Total unrestricted assets	<u>6,202,493</u>
Restricted cash and equivalents (Note 3):	
LCTOP reserves	<u>438,585</u>
Total restricted assets	<u>438,585</u>
Total Current Assets	<u>6,641,078</u>
Noncurrent Assets	
Capital assets (Note 4):	
Non-depreciable	2,456,985
Depreciable	<u>27,262,492</u>
Total Noncurrent Assets	<u>29,719,477</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 36,360,555</u></u></b>

**LIABILITIES**

Current Liabilities	
Accounts payable	\$ 1,278,482
Accrued liabilities	420,222
Due to other governments, TDA payable (Note 8)	2,735,178
Grant advances (Note 9)	483,384
Note payable - Due in less than one year (Note 12)	<u>66,289</u>
Total Current Liabilities	<u>4,983,555</u>
Noncurrent Liabilities	
Other Post-Employment Benefit (Note 11)	125,962
Note payable - Due in more than one year (Note 12)	<u>1,116,656</u>
Total Noncurrent Liabilities	<u>1,242,618</u>
Total Liabilities	<u>6,226,173</u>

**NET POSITION (Note 2G)**

Net investment in capital assets	28,536,532
Restricted for:	
LCTOP operations	438,585
Unrestricted	<u>1,159,265</u>
Total Net Position	<u>30,134,382</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u><u>\$ 36,360,555</u></u></b>

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

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

PROGRAM OPERATING REVENUES	
Passenger fares	\$ 1,732,236
Other operating income	<u>336,488</u>
Total Program Operating Revenues	<u>2,068,724</u>
PROGRAM OPERATING EXPENSES	
Purchased transportation (Note 13)	13,678,003
Materials and supplies	2,810,181
Salaries and benefits	4,489,276
OPEB expense	(150,342)
Services	927,018
Casualty and liability insurance	570,758
Utilities	175,078
Other	280,147
Depreciation (Note 4)	3,559,060
Fuel hedging losses	238,339
Interest expense	<u>12,356</u>
Total Program Operating Expenses	<u>26,589,874</u>
PROGRAM OPERATING LOSSES	(24,521,150)
NON-OPERATING REVENUES (EXPENSES)	
State grant revenues	15,362,866
Local grant revenues	4,520,418
Non-transportation revenues	84,495
Federal grant revenues	<u>1,174,356</u>
Net Non-Operating Revenues, Before Capital Contributions (Grants)	<u>21,142,135</u>
Capital Contributions (Grants)	<u>10,138</u>
Net Non-Operating Revenues and Capital Contributions	21,152,273
CHANGE IN NET POSITION	(3,368,877)
NET POSITION AT BEGINNING OF YEAR	<u>33,503,259</u>
NET POSITION AT END OF YEAR	<u><u>\$ 30,134,382</u></u>

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

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from passenger fares	\$ 1,732,236
Cash received from operations - other	281,103
Cash payments for purchased transportation	(13,678,003)
Payments to and on behalf of employees	(5,076,525)
Payments to suppliers for goods and services	<u>(4,616,693)</u>
 Net Cash Used in Operating Activities	 <u>(21,357,882)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal grants and reimbursements	1,174,356
State and local operating grants	20,801,236
Other noncapital revenue	<u>84,495</u>
 Net Cash Provided by Noncapital Financing Activities	 <u>22,060,087</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	10,138
Purchase of capital assets	(242,742)
Debt payment on long-term debt	<u>(65,598)</u>
 Net Cash Flows Used in Capital and Related Financing Activities	 <u>(298,202)</u>
 Net Increase in Cash and Cash Equivalents	 404,003
 Cash and Cash Equivalents, Beginning of Year	 <u>3,650,459</u>
 Cash and Cash Equivalents, End of Year	 <u>\$ 4,054,462</u>
 Cash and Cash Equivalents, Unrestricted	 \$ 3,615,877
 Cash and Cash Equivalents, Restricted	 <u>438,585</u>
 Total Cash and Cash Equivalents, End of Year	 <u>\$ 4,054,462</u>

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

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

RECONCILIATION OF OPERATING LOSS TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (24,521,150)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:	
Depreciation	3,559,060
Changes in assets, liabilities, and deferred inflow of resources:	
(Increase) Decrease in Receivables	(55,385)
(Increase) Decrease in Inventory	(93,476)
(Increase) Decrease in Prepaid Expenses	70,319
(Increase) Decrease in Other Assets	-
Increase (Decrease) in Accounts Payable	(150,417)
Increase (Decrease) in Deferred Inflows from Fuel Hedge	-
Increase (Decrease) in OPEB Liability	(229,820)
Increase (Decrease) in Other Liabilities	<u>62,987</u>
Net Cash Used in Operating Activities	<u><u>\$ (21,357,882)</u></u>

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

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

**NOTE 1 – GENERAL**

The Eastern Contra Costa Transit Authority (Authority), also known as Tri Delta Transit, was created August 3, 1976, under a joint exercise of powers agreement between the cities of Antioch, Pittsburg, Brentwood, and Contra Costa County, for the purpose of meeting the public transportation needs in Eastern Contra Costa County. The Authority is governed by a Board of Directors composed of representatives of the member jurisdictions. The joint exercise of powers agreement was amended on April 26, 2000, to include the recently incorporated City of Oakley.

The Authority's reporting entity includes all activities of the Authority.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies of the Authority, which conform with accounting principles generally accepted in the United States of America applicable to governments in the United States of America.

A. Enterprise Fund Accounting

The Authority is accounted for as an enterprise fund. This fund is a set of self-balancing accounts, which comprise its assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position, revenues and expenses.

B. Basis of Accounting

Basis of accounting refers to *when* revenues and expenses are recognized. The Authority is accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

*Non-exchange transactions*, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

C. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Authority are charges to customers for farebox revenues. The Authority's *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### E. Risk Management

The Authority requires its operations contractor, First Transit, Inc., to provide general liability coverage. First Transit provides insurance with primary coverage of \$1,000,000 in aggregate. In addition, the Authority is insured for premises and operational bodily injury and property damage up to a limit of \$13,400,000, with a deductible of \$10,000.

### F. Compensated Absences

Full-time permanent employees are granted personal time off (PTO) benefits in varying amounts to specified maximums, depending on their tenure with the Authority. PTO accrues to employees to specified maximums after six months of service. The estimated current portion of the liability for PTO benefits is recorded as an expenditure with a corresponding liability.

### G. Net Position

Net Position is the excess of all the Authority's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net Position are divided into three classifications and apply only to Net Position as described below:

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. The Authority's Restricted Net Position is for unexpended funds received from the Low Carbon Transit Operation Program (LCTOP).

*Unrestricted* describes the portion of Net Position which is not restricted to use.

### H. Use of Estimates

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

### I. Deferred Inflow/Outflow 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.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### **J. 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 accounting principles generally accepted in the United States of America. 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.

### **K. Summary of Derivative Financial Instruments**

To better plan for the price of, and to relieve some of the strain that such price fluctuations might impose on planning and operations, the Authority utilizes commodity hedging - the buying and selling of fuel contracts at a forward price in advance of the Authority's needs.

Management believes that the futures contracts would be as likely to lose money as to make money, but that actual fuel purchases will move inversely proportional to the price of the contracts, thus offsetting fuel price variances which will allow management to plan on a more stabilized overall cost for diesel fuel.

GASB requires the gain (loss) on the sale of fuel hedges to be recorded in the Statement of Revenues, Expenses, and Changes in Net Position. The change in fair value of the derivative is recorded as a deferred inflow/outflow on the Statement of Net Position, as appropriate. The investment in derivative instruments is recorded in the Statement of Net Position as part of current assets/liabilities and other non-current assets/liabilities, as appropriate.

### **L. Implementation of New Accounting Pronouncements**

During the fiscal year ended June 30, 2020, the Authority adopted the following new statement of the Governmental Accounting Standards Board (GASB):

GASB Statement No. 95

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement is effective immediately. The effective dates for GASB Statements No. 84, No. 89, No. 90, No. 91, No. 92, and No. 93 were postponed by one year for the Authority. The effective date for GASB Statement No. 87 was postponed by 18 months for the Authority.

## **NOTE 3 – CASH AND CASH EQUIVALENTS**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution.

**NOTE 3 – CASH AND CASH EQUIVALENTS** (Continued)

A. Cash and Cash Equivalents

The Authority's unrestricted cash consists of time and demand deposits and petty cash held at the Authority's administrative office.

The Authority's restricted assets, which consist of certificates of deposit with Bank of Agriculture and Commerce, are carried at fair value, as required by accounting principles generally accepted in the United States of America. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents consisted of the following as of June 30, 2020:

Unrestricted cash:	
Deposits in financial institutions	\$ 3,615,188
Cash on hand at Authority	<u>689</u>
Total unrestricted cash and equivalents	<u>3,615,877</u>
Restricted - certificates of deposit:	
LCTOP reserve	<u>438,585</u>
Total restricted cash and equivalents	<u>438,585</u>
Total cash and equivalents and investments	<u><u>\$ 4,054,462</u></u>

B. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In fiscal year ended June 30, 2020, the Authority had investments in Money Market accounts of \$1,754,621 and Certificates of Deposit of \$438,585, which are exempt from fair value measurements.

C. LCTOP Operations

The LCTOP is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2015 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. LCTOP was passed and adopted by the Authority in January 2016. The Authority is applying these funds to enhance service on Route 201 (Concord, California).

D. Custodian Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for

**NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)****D. Custodian Credit Risk (Continued)**

deposits or investments, other than the following provision made for deposits: The California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of pledged securities must equal at least 110% of the total amount deposited by public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risk relating to deposits and investments: \$3,396,302 of the Authority's deposits with financial institutions were in excess of the Federal Deposit Insurance Corporation limits and were held in collateralized accounts as of June 30, 2020.

**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 costs exceed \$5,000.

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	5-30 years
Transit vehicles	4-14 years
Shop office and other equipment	5-10 years

**A. Capital Asset Activity**

Capital assets activity during fiscal year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Acquisitions	Reclassifications and Dispositions	Balance June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 2,456,985	\$ -	\$ -	\$ 2,456,985
Total Capital Assets Not Being Depreciated	2,456,985	-	-	2,456,985
Capital Assets Being Depreciated:				
Buildings and improvements	14,873,195	282,668	-	15,155,863
Transit vehicles	38,028,987	286,789	(103,422)	38,212,354
Equipment	4,499,761	154,477	-	4,654,238
Total Capital Assets Being Depreciated	57,401,943	723,934	(103,422)	58,022,455
Less Accumulated Depreciation for:				
Buildings and improvements	8,960,342	422,000	251,561	9,633,903
Transit vehicles	14,970,553	3,007,865	(1,071,147)	16,907,271
Equipment	3,373,430	129,195	716,164	4,218,789
Total Accumulated Depreciation	27,304,325	3,559,060	(103,422)	30,759,963
Total Capital Assets Being Depreciated, Net	30,097,618	(2,835,126)	-	27,262,492
Total Capital Assets, Net	\$ 32,554,603	\$ (2,835,126)	\$ -	\$ 29,719,477

Depreciation expense was \$3,559,060 as of June 30, 2020.

#### **NOTE 4 – CAPITAL ASSETS (Continued)**

##### **B. Capital Contributions**

The Authority has grant contracts with the U.S. Department of Transportation through the Federal Transit Administration (FTA) for certain capital improvements. FTA funds are used to replace and improve the Authority's buses and transit facilities. The Authority also has contracts under the Transportation Development Act of 1971 (TDA) and State Transit Assistance (STA) funds, which are used to match FTA grants or to fund transit improvement projects. Capital funding provided under government grants is considered earned as the allowable expenditures are incurred.

Grants for capital assets acquisition and facility development and rehabilitation are reported in the Statement of Revenues, Expenses, and Changes in Net Position, after nonoperating revenues and expenses as capital contributions.

#### **NOTE 5 – OPERATING GRANTS**

The Authority records operating assistance grants as revenue when earned.

##### **A. TDA and STA Operating Assistance**

The Authority receives allocations of local transportation funds pursuant to the TDA and STA funds. These funds are generated within Contra Costa County and are allocated based on annual claims filed by the Authority and approved by the Metropolitan Transportation Commission (MTC). Generally, the maximum annual TDA assistance the Authority can receive is limited to its actual operating costs (excluding depreciation) less fare revenues received and other local operating assistance (including interest income).

For the fiscal year ended June 30, 2020, the maximum TDA operating assistance eligibility was \$10,899,594. During the fiscal year ended June 30, 2020, the TDA operating funds had a receivable of \$153,588 due to timing of receipt and a payable of \$2,735,178 which represents the surplus of TDA operations grants received by the Authority that have not yet been spent (See Note 8).

##### **B. Inter-Operator Agreements**

The Authority receives funding through an arrangement with Bay Area Rapid Transit (BART) for operating assistance applied to certain "feeder bus" services to the Pittsburg/Bay Point BART station. The Authority took over and incorporated such services from BART in 1997 (as detailed in the schedule below).

##### **C. Regional Measure 2 Funds**

On March 2, 2004, voters passed Regional Measure 2 (RM2), raising 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 Senate Bill 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. The Bay Area Toll Authority (BATA) is responsible for the collection of the bridge tolls and MTC is responsible for administering the RM2 Program. The Authority is an eligible recipient for RM2 funds and received \$226,030 in RM2 funding during fiscal year ended June 30, 2020. The Authority utilized the RM2 funds as operating assistance on a specific, express bus route per the program's requirements.

**NOTE 5 – OPERATING GRANTS** (Continued)

Operating assistance for the fiscal year ended June 30, 2020 is summarized as follows:

Federal Transit Administration	\$ 1,174,356
Transportation Development Act	10,899,594
State Transit Assistance	3,799,953
Inter-operator agreements (BART)	2,802,043
Measure J	1,492,345
Regional Measure 2	226,030
LCTOP	<u>663,319</u>
Total Operating Assistance	<u>\$ 21,057,640</u>

**NOTE 6 – CAPITAL GRANTS**

The Authority has received grants from the FTA and grants of local transportation funds pursuant to the TDA for the purchase of buses, facility improvements, furniture and fixtures, and supporting equipment.

Expenditures of capital grant funds are allocated based on annual claims filed by the Authority and approved by the MTC. The Authority's management believes that the remaining grants available will be approved in full. These grants (excluding Measure J), less the related amortization, are included in capital contributions.

The Authority's capital contributions for the fiscal year ended June 30, 2020 are as follows:

U.S. Department of Transportation grant awards	\$ 1,174,356
Less: funds used for operating costs	<u>(1,174,356)</u>
Subtotal	<u>-</u>
State grants	-
Other	<u>10,138</u>
Total capital contributions	<u>\$ 10,138</u>

**NOTE 7 – MEASURE J**

In November 2004, Contra Costa County voters approved Measure J which provided for the continuation of a County half-cent transportation sales tax for 25 more years beyond the original expiration date of 2009 (Measure C). Measure J funding is administered by the Contra Costa Transportation Authority (CCTA). The Authority records Contra Costa County Measure J grants for operations and for capital projects as revenue and capital contributions, respectively, as received.

The Authority is an eligible recipient of Measure J funds and received \$1,645,257 in Measure J operating assistance during the fiscal year ended June 30, 2020, of which \$1,492,345 was applied to specific fixed route and para-transit bus services per CCTA's approved program. The remaining amount of \$152,914 of Measure J funds for 2020 were "passed through" to the Central Contra Costa Transit Authority (CCCTA) according to an inter-operator agreement that all three agencies entered into to provide Countywide express bus services.

## **NOTE 8 – TDA RECEIVABLE & PAYABLE**

The Authority applies for TDA funds for operating purposes prior to the start of each fiscal year. The application is based on the Authority's annual budget and thus contains an estimate of the Authority's annual operating expenditures and revenues for the next fiscal year. After completion of the annual audit, whereby any unapplied funds or funding shortfalls are determined, the Authority either returns TDA funds in excess of those used during the fiscal year or applies for additional TDA funding for the prior fiscal year to make up the shortfall.

A TDA Operating Receivable represents the amount of TDA operations grants pending to be received by the Authority. As of the fiscal year ended June 30, 2020, the Authority was pending the amount of \$153,588 from MTC.

A TDA Payable represents the surplus of TDA operations grants received by the Authority that have not yet been spent. Such surpluses must be returned to the County Local Transportation Fund. The amount of TDA payable at year end is a provision that the Authority makes to return such TDA funds. At the end of the fiscal year ended June 30, 2020, the Authority owed the County Local Transportation Fund the amount of \$2,735,178.

## **NOTE 9 – GRANT ADVANCES**

The Authority receives allocations from other governmental agencies to fund transit operations and capital purchases. Allocations are considered earned when they are properly spent for operations or capital acquisitions. Allocations received but not earned are recorded as unearned revenues. The Authority had received the following allocations which are considered to be unearned revenue as of June 30, 2020:

City of Antioch	\$	21,623
Federal Transit Administration		82,650
State of Good Repair (SGR)		163,220
Regional Measure 2 (RM2)		<u>215,891</u>
Total grant advances	\$	<u><u>483,384</u></u>

## **NOTE 10 – EMPLOYEE RETIREMENT PLANS**

The Authority offers two retirement plans – a 401(a) and a 457(b) plan. Participation in the plans is optional.

### **A. Employees' Retirement Plan**

The Authority offers a 401(a) defined contribution pension plan, administered by the Financial Decision group, through Charles Schwab. All full-time employees are eligible for this voluntary program upon successful completion of his or her probation. In order to participate in this voluntary program, an employee must participate in the 457(b) deferred compensation plan (see Note 11B), and contribute a minimum of 4% of his or her gross salary, up to a maximum of 25%, or the federally allowed maximum amount of his or her gross compensation, whichever is less.

The Authority makes contributions to the 401(a) plan for each participant depending on the participant's years of service with the Authority as follows:

Less than 10 years	12% of gross salary
10-20 years	13% of gross salary
20-30 years	14% of gross salary
More than 30 years	15% of gross salary

**NOTE 10 – EMPLOYEE RETIREMENT PLANS** (Continued)

A. Employees' Retirement Plan (Continued)

Any changes to the plan and/or contribution requirements must be approved by the Authority's Board of Directors. During the fiscal year ended June 30, 2020, the Authority contributed \$399,945 to the 401(a) plan on behalf of its participants.

B. Deferred Compensation Plan

The Authority's employees may defer a portion of their compensation under an Authority sponsored Deferred Compensation Plan, administered by ICMA, created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Authority's property and are not subject to Authority control, they have been excluded from these financial statements.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

A. General Information about the OPEB Plan

***Plan Description***

The Authority provides postretirement health care benefits at retirement to full time employees who have been an employee for at least 20 years and must be 62 years or older at retirement until they reach the age 65.

***Benefits Provided***

The Authority will pay the entire COBRA Kaiser Health Savings Account (HSA) plan premium for the retired employee and their eligible dependents until the retired employee reaches age 65, at which time they will qualify for Medicare. The Authority will pay the equivalent of the Kaiser HSA plan premium towards another health insurance policy selected by the employee in place of this plan.

***Employees Covered by Benefit Terms***

As of June 30, 2020, the benefit terms covered the following employees:

Retirees and survivors currently receiving benefits	1
Active employees	<u>37</u>
Total	<u><u>38</u></u>

B. Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2020, using the Alternative Measurement Method (AMM). This method is similar to an actuarial valuation, but with simplifications of several assumptions permitted per GASB guidelines.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

B. Net OPEB Liability (Continued)

***Actuarial Assumptions***

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2020
Age Adjustment Factor	2.235857
Average Retirement Age	68
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Bond Yield	5.50%
Discount Rate	5.50%
Participants valued	Only current active employees, retired participants, and covered dependents are valued. No future entrants are considered in this valuation.
Projected Salary Increases	4.00% per year
Mortality	RP2000 Mortality Table for Males and Females Projected 18 years
Healthcare Cost Trend	The cost trend numbers used were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection. The ACA excise tax will ultimately affect all plans. Due to the variability of the ACA excise tax plan, healthcare trends could raise an average of 0.5% or more in each year.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 5.50%. For OPEB plans that are not prefunded and are paying for OPEB on a pay-as-you-go basis, the discount rate is based on the 20-year tax exempt municipal bond yield which was 5.50% as of June 30, 2020.

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

B. Net OPEB Liability (Continued)

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Change in Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2019	\$ 355,782	\$ -	\$ 355,782
Changes in the Year:			
Service Cost	355,782	-	355,782
Interest	38,398	-	38,398
Effects of Economic/Demographic Gains or Losses	(596,797)	-	(596,797)
Benefit Payments	(27,203)	(27,203)	-
Employer Contributions	-	27,203	(27,203)
Net Changes	(229,820)	-	(229,820)
Balance at June 30, 2020	\$ 125,962	\$ -	\$ 125,962

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

The net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.50%) or one percentage point higher (6.50%), follows:

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Net OPEB Liability	\$ 127,152	\$ 125,962	\$ 124,799

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

As of June 30, 2020, the Authority's healthcare cost trend rate baseline was:

	Medical	Pharmacy	Dental	Vision
Year 1	4.90%	5.90%	3.50%	3.00%
Year 2	4.80%	4.80%	3.50%	3.00%
Year 3	4.70%	4.70%	3.00%	3.00%
Year 4	4.70%	4.70%	3.00%	3.00%
Year 5	4.60%	4.60%	3.00%	3.00%
Year 6	4.50%	4.50%	3.00%	3.00%
Year 7	4.40%	4.40%	3.00%	3.00%
Year 8	4.30%	4.30%	3.00%	3.00%
Year 9	4.30%	4.30%	3.00%	3.00%
Year 10+	4.30%	4.30%	3.00%	3.00%

**NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)B. Net OPEB Liability (Continued)***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates***  
(Continued)

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

	<u>1% Decrease</u>	<u>Baseline Trend</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 124,465	\$ 125,962	\$ 127,464

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

For the fiscal year ended June 30, 2020, the Authority recognized an OPEB expense of \$(150,342). At June 30, 2020, the Authority reported no deferred outflows of resources and deferred inflows of resources related to OPEB as the plan does not hold assets in a trust.

**NOTE 12 – NOTE PAYABLE**

On February 4, 2016, the Authority entered into an agreement with California Energy Resources Conservation and Development Commission for \$1,308,104, with a one percent (1% per annum) interest rate. The project consists of installing roof and parking structures mounted with photovoltaic (PV) panels at the Authority's main office, located in Antioch, California. Principal and interest payments are payable semiannually with the first repayment due on December 22, 2018, and final installment due on December 22, 2036.

The following is a summary of the note payable for the fiscal year ended June 30, 2020:

	<u>Original Issue Amount</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
California Energy Resources Loan Agreement	<u>\$ 1,308,104</u>	<u>\$ 1,248,543</u>	<u>\$ -</u>	<u>\$ 65,598</u>	<u>\$ 1,182,945</u>	<u>\$ 66,289</u>
Total long-term debt		<u>\$ 1,248,543</u>	<u>\$ -</u>	<u>\$ 65,598</u>	<u>\$ 1,182,945</u>	<u>\$ 66,289</u>

The annual payment requirements to mature the loan outstanding at June 30, 2020, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 66,289	\$ 11,665	\$ 77,954
2022	66,953	11,001	77,954
2023	67,625	10,329	77,954
2024	68,277	9,677	77,954
2025	68,987	8,967	77,954
2026-2030	355,431	34,338	389,769
2031-2035	373,616	16,153	389,769
2036-2037	115,767	1,163	116,930
Total	<u>\$ 1,182,945</u>	<u>\$ 103,293</u>	<u>\$ 1,286,238</u>

### **NOTE 13 – COMMITMENT AND CONTINGENT LIABILITIES**

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Authority.

The Authority participates in Federal and State grant programs. These programs have been audited by the Authority's independent auditors in accordance with the provisions of the Uniform Guidance, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

The Authority made a prepayment to Pacific Gas and Electric (PG&E) for a 10-year refundable electric option and will perform the construction services for the project using the loan proceeds. The option payment of \$6,148 for the fiscal year ended June 30, 2020, is reported as a prepaid asset on the Statement of Net Position.

#### **Contractor**

The Authority has an agreement dated May 2, 2016, with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through June 30, 2020. Expenses recorded under this contract amounted to \$13,678,003 for fiscal year ended June 30, 2020 and are recorded as purchased transportation.

### **NOTE 14 – SENATE BILL 1 (SB 1) – STATE OF GOOD REPAIR**

The Road Repair and Accountability Act of 2017, SB 1 (Chapter 5, Statutes of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair (SGR) program. This program provides funding of approximately \$105 million annually to the State Transit Assistant Account. These funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

In the fiscal year ended June 30, 2020, the Authority received SGR funds of \$62,890. The Authority has a total of \$163,220 unearned revenue comprised of FY18, FY19, and FY20 SGR funds for two separate capital projects. One is for the replacement of bus shelters and the other is for the replacement of the HVAC unit on the maintenance facility.

### **NOTE 15 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through January 20, 2021, which is the date the financial statements were available to be issued. There were no subsequent events with a material effect on the financial statements or note disclosures that took place after June 30, 2020. The COVID-19 pandemic outbreak in the United States has caused business disruption through mandated closings of businesses. While the disruption is expected to be temporary, the durations of the closings and the related financial impacts on the Authority remain uncertain and cannot be estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

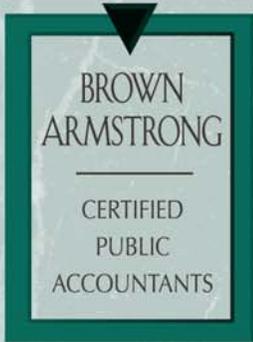
**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT  
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS  
JUNE 30, 2020  
LAST 10 FISCAL YEARS\***

Measurement Period	<u>June 30, 2020</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 355,782
Interest on Total OPEB Liability	38,398
Effect of Economic/Demographic Gains or Losses	(596,797)
Benefit Payments	<u>(27,203)</u>
Net Change in Total OPEB Liability	(229,820)
Total OPEB Liability - Beginning	<u>355,782</u>
Total OPEB Liability - Ending	<u><u>\$ 125,962</u></u>
<b>OPEB Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 27,000
Benefit Payments	<u>(27,000)</u>
Net Change in OPEB Plan Fiduciary Net Position	-
OPEB Plan Fiduciary Net Position - Beginning	<u>-</u>
OPEB Plan Fiduciary Net Position - Ending	<u><u>\$ -</u></u>
Net OPEB Liability	<u><u>\$ 125,962</u></u>
OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered Payroll	\$ 2,975,409
Net OPEB Liability as a Percentage of Covered Payroll	4.23%

**Notes to Schedule:**

\* When information is available, the required 10 years will be shown. Fiscal year June 30, 2020 is the first year of implementation of GASB Statement No. 75 in accordance using the Alternative Measurement Method.

**OTHER REPORT**



# BROWN ARMSTRONG

*Certified Public Accountants*

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

To the Board of Directors  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Eastern Contra Costa Transit Authority (the Authority) as of and for the fiscal year ended June 30, 2020, and related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 20, 2021.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

#### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

#### **FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

#### **STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Our 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 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the management, Board of Directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California  
January 20, 2021