



**WESTERN CONTRA COSTA
TRANSIT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**WESTERN CONTRA COSTA TRANSIT AUTHORITY
FOR THE YEAR ENDED JUNE 30, 2022**

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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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2022, 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 opinion. 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, individually or in the aggregate, they could reasonably be expected to 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.

Emphasis of a Matter

As noted in Note 2, subsequent to the issuance of these financial statement adopted October 17, 2022, management determined additional revenues should have been recognized. Net impact to net position is zero.

This emphasis of this matter does not constitute a medication to our opinion.

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 17, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
October 17, 2022

Except for adjustments to Deferred Operating Funds, Federal Transit Administration Operating Assistance, Payable to Metropolitan Transportation Commission and Transportation Development Act Operating Assistance – January 27, 2023

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**WESTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2022**

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, 2022.

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 2022 and 2021 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 2022 and 2021. 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 \$16,012,653 at June 30, 2022, an increase of \$396,516 from June 30, 2021.

A condensed summary of the Authority's statement of net position at June 30, 2022 and 2021 is shown below:

Summary of Net Position

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
ASSETS:		
Current Assets	\$ 6,298,853	\$ 4,484,642
Capital Assets (Net of Accumulated Depreciation)	<u>16,602,807</u>	<u>16,050,974</u>
Total Assets	22,901,660	20,535,616
Deferred Outflows of Resources:		
Pension Related	<u>249,273</u>	<u>275,635</u>
LIABILITIES:		
Current Liabilities	6,717,169	4,411,517
Deferred Capital Funds	110	73,125
Net Pension Liability	<u>219,322</u>	<u>690,555</u>
Total Liabilities	6,936,601	5,175,197
Deferred Inflows of Resources:		
Pension Related	<u>201,679</u>	<u>19,917</u>
NET POSITION:		
Net Investment in Capital Assets	16,602,807	16,050,974
Unrestricted	<u>(590,154)</u>	<u>(434,837)</u>
Total Net Position	<u>\$16,012,653</u>	<u>\$ 15,616,137</u>

The largest portion of the Authority's net position represents its investment in capital assets (e.g., land, buses, buildings, improvements, and equipment). The Authority uses these capital assets to provide services to its passengers and employees; 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, increased by about \$551,800 during the year ended June 30, 2022 because capital assets purchased was more than depreciation expense of \$2,311,975. Capital assets purchased decreased from \$4,716,000 in 2021 to \$2,863,800 in 2022.

The net pension liability of \$219,322 is recognized at June 30, 2022, 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 (\$294,831) represents the unfunded pension liability as of June 30, 2022.

FINANCIAL OPERATIONS SUMMARY

A condensed summary of the Authority's revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021 is shown below:

Summary of Revenues, Expenses, and Changes in Net Position

	<u>FY 2022</u>	<u>FY 2021</u>
Operating Revenues	<u>\$ 998,119</u>	<u>\$ 275,867</u>
Operating Expenses:		
Operations	9,813,713	8,707,943
General and Administrative	1,056,841	1,364,101
Maintenance – Vehicles	1,484,924	1,594,745
Maintenance – Other	232,325	237,116
Depreciation	<u>2,311,975</u>	<u>2,299,389</u>
Total Operating Expenses	<u>14,899,778</u>	<u>14,203,294</u>
Non-Operating Revenues (Expenses):		
Interest Income	9,153	4,604
Other Non-Operating Revenue	33,247	18,900
Operating Assistance from Governmental Agencies	11,534,153	11,538,905
Capital Contributions	<u>2,708,490</u>	<u>4,716,021</u>
Total Non-Operating Revenues	<u>14,285,043</u>	<u>16,278,430</u>
Change in Net Position	396,516	2,351,003
Total Net Position - Beginning	<u>15,616,137</u>	<u>13,265,134</u>
Total Net Position - Ending	<u>\$16,012,653</u>	<u>\$ 15,616,137</u>

During the year ended June 30, 2022, operating revenues increased approximately \$722,252 due to increased fare box receipts, reflecting the ongoing recovery of COVID-19 on ridership. Total operating expenses, not including depreciation, increased by \$683,898. The majority of this resulted from an increase of \$576,953 in fuel costs.

Depreciation increased by about \$12,590 for a total increase of \$696,484 in operating expenses, including depreciation.

There was an increase in operating assistance in fiscal year 2022 of about \$1,225,909, due to our receipt of Federal CRRSAA and ARPA emergency relief operating funds that were expended on 6 months of Purchased Transportation billings (July through December 2021). Capital contributions available to the Authority decreased by about \$2,007,531 in fiscal year 2022. 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 2022, the Authority purchased four new vehicles with \$2,278,913 of FTA, AB664, STA-State of Good Repair, and prior year TDA funds. The Authority initiated a major project to replace its bus wash equipment four years ago and expended an additional \$329,565 of prior year TDA funds this year. The overall cost of the project is estimated at \$2.88 million. Work commenced in September 2020 with an anticipated completion date in October 2022. Office equipment and facility upgrades accounted for \$100,011 in capital asset additions, which were funded by prior year TDA capital contributions.

CURRENT FACTORS

Since March, 2020, when the first COVID-19 Shelter in Place order was issued by the Contra Costa Health Officer, the pandemic has caused significant and sustained damage to the Authority's operations and finances. While the pandemic is significantly more under control at this time, it is still impossible to assess the full extent to which traditional funding sources and operating costs will be impacted, the ways in which the virus has affected passenger demand, and the overall changes to travel patterns for public transit services. While fare restrictions, limits on passenger boarding and social distancing have been lifted, ridership has only slowly begun to return.

The Authority faces many uncertainties in planning for a post-COVID future. These include the unknown future demand for public transportation. It is also unclear whether transit's traditional roles and priorities will have to evolve to respond to changes in travel patterns within the region (telecommuting, etc.).

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

To cover the replacement needs alone, the Authority will need to assemble approximately \$1.4 million in local capital funding to satisfy the local match requirement on the Federal assets and to cover other capital needs for which there will be no Federal support. Historically, the San Francisco region has made toll bridge revenues available for local match purposes, however, toll bridge revenue in recent years has been insufficient to completely match the Federal funds. 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, 2022

ASSETS

Current Assets:

Cash	\$3,676,708
Accounts Receivable	377,938
Grants Receivable	2,064,139
Prepaid Expenses	180,068
Total Current Assets	6,298,853

Non-Current Assets:

Capital Assets, depreciable (Net of Accumulated Depreciation)	16,602,807
Total Non-Current Assets	16,602,807

Total Assets

22,901,660

Deferred Outflows of Resources:

Pension related	249,273
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LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Liabilities	277,522
Deferred Operating Funds	803,230
Payable to Metropolitan Transportation Commission	5,636,417
Total Current Liabilities	6,717,169

Non-Current Liabilities:

Deferred Capital Funds	110
Net Pension Liability	219,322
Total Non-Current Liabilities	219,432

Total Liabilities

6,936,601

Deferred Inflows of Resources:

Pension related	201,679
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NET POSITION

Net Investment in Capital Assets	16,602,807
Unrestricted	(590,154)

Total Net Position

\$16,012,653

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, 2022

OPERATING REVENUES

Passenger Fares	\$998,119
Advertising Revenues	55,532
Total Operating Revenues	<u>1,053,651</u>

OPERATING EXPENSES

Operations	9,813,713
General and Administrative	1,056,841
Maintenance - Vehicles	1,484,924
Maintenance - Other	232,325
Depreciation	2,311,975
Total Operating Expenses	<u>14,899,778</u>

Operating Loss (13,846,127)

NON-OPERATING REVENUES (EXPENSES)

Interest Revenue	9,153
Other Non-Operating Revenues (Expenses)	33,247
Operating Assistance:	
Bay Area Rapid Transit District	3,100,167
Transportation Development Act	(46,683)
State Transit Assistance	1,262,721
Low Carbon Transit Operations Program	116,352
Regional Measure 2	993,518
Measure J	2,004,347
Federal Transit Administration	4,061,331
Net Non-Operating Revenues	<u>11,534,153</u>

Loss Before Capital Contributions (2,311,974)

CAPITAL CONTRIBUTIONS 2,708,490

Change in Net Position 396,516

Net Position, July 1, 2021 15,616,137

Net Position, June 30, 2022 \$16,012,653

See accompanying notes to financial statements.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from passengers	\$965,016
Payments to employees for services	(1,319,949)
Payments to suppliers for goods and services	(10,449,683)
Receipts from advertisers	55,532
Cash Used by Operating Activities	<u>(10,749,084)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>9,153</u>
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CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Operating assistance received	<u>11,418,737</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(2,863,808)
Sale of assets and other non-operating	33,247
Capital grants received	2,708,490
Cash Received (Used) by Capital and Related Financing Activities	<u>(122,071)</u>

Increase (decrease) in cash	556,735
Cash, July 1, 2021	<u>3,119,973</u>
Cash, June 30, 2022	<u><u>\$3,676,708</u></u>

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

Operating loss	(\$13,846,127)
Depreciation	2,311,975
Increase (decrease) in accounts receivable	(33,103)
Increase (decrease) in grants receivable	(1,079,811)
Increase (decrease) in prepaid expenses	(144,562)
Increase (decrease) in deferred outflows of resources - pensions	26,363
Decrease (increase) in accounts payable and accrued liabilities	2,291,818
Decrease (increase) in deferred operating funds	13,834
Decrease (increase) in net pension liabilities	(471,233)
Decrease (increase) in deferred inflows of resources - pensions	181,762
Net cash provided (used) by operating activities	<u><u>(\$10,749,084)</u></u>

See accompanying notes to financial statements.

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WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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 \$21,746 for this liability at June 30, 2022.

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, 2022

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 District 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 current have any leases that meet the definition under GASB 87.

Emphasis of a Matter

Subsequent to issuing the report, the Authority determined that \$1,229,232 has been drawn down and should have been recognized as of June 30, 2022. These financial statements have been updated to reflect the increase in revenue and reduction deferred operation funds. This also resulted in the change in Payable to MTC and TDA Operating revenue by \$2,678,100. The net impact to net position was zero.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – CASH AND INVESTMENTS

Cash and investments at June 30, 2022 consisted of the following:

Cash in bank and on hand	\$1,509,960
Cash with Local Agency Investment Fund (LAIF)	<u>2,166,748</u>
Total Cash and Investment	<u><u>\$3,676,708</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, 2022, the average life on investment funds invested by LAIF was 311 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:

Facilities	5 - 31.5 years
Transportation Equipment	5-16 years
Shop, office and other equipment	5-10 years

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2022, were as follows:

	Balance June 30, 2021	Additions / Adjustments	Retirements	Balance June 30, 2022
Facilities	\$8,730,982	\$555,119		\$9,286,101
Transportation Equipment	27,551,699	2,278,914	(\$1,306,473)	\$28,524,140
Other Equipment	490,456	29,775	(32,572)	487,659
Total Capital Assets	36,773,137	2,863,808	(1,339,045)	38,297,900
Less Accumulated Depreciation	(20,722,163)	(2,311,975)	1,339,045	(21,695,093)
Capital assets, net	<u>\$16,050,974</u>	<u>\$551,833</u>		<u>\$16,602,807</u>

NOTE 5 – OPERATING AND CAPITAL ASSISTANCE

Bay Area Rapid Transit District – Operating funds from BART consist of \$2,737,806 in State Transit Assistance (STA) funds and \$362,361 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, 2022**

NOTE 5 – OPERATING AND CAPITAL ASSISTANCE(Continued)

The Authority spent \$86,829 of STA – State of Good Repair funds for match on vehicles. This was from receipts from prior years of \$86,373; and \$347 in prior year interest and \$109 in interest received during fiscal year 2022.

Project Name	Grant Amount	Interest Earned		Expended in Fiscal		Unearned Revenue
		Prior Years	2021-22	Prior Years	2021-22	
SGR Programs						
FY 20 Local Match Vehicle Purchase	\$79,240	\$278	\$8	\$73,517	\$6,009	
FY 21 Local Match Vehicle Purchase	80,651	69	101		80,821	
FY 22 Local Match Vehicle Purchase	82,512					\$82,512
Total State of Good Repair	<u>\$242,403</u>	<u>\$ 347</u>	<u>\$ 109</u>	<u>\$ 73,517</u>	<u>\$ 86,830</u>	<u>\$ 82,512</u>
Total Unearned Revenues						<u>\$82,512</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.

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 capital assistance for vehicles. CRRSAA Act Relief funds and ARP Act Funds for operating assistance were also received.

Low Carbon Transit Operations Program – The Authority spent \$116,352 for the Spare the Air program in fiscal year 2022, all of which was comprised of prior year funds from fiscal year 2021.

AB 664 East Bay – The Authority spent \$130,233 in AB 664 funds for match on vehicles in fiscal year 2022.

NOTE 6 – PAYABLE TO METROPOLITAN TRANSPORTATION COMMISSION

TDA regulations require the Authority to return excess operating revenues over operating costs, as defined in section 6634 of the California Code of Regulations, to MTC. The payable to MTC at June 30, 2022 was composed of such excess revenues for fiscal years 2019, 2020, 2021, and 2022 for a total of \$5,636,417. Such refundable is reported as a reduction of TDA revenues.

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022, the Authority paid \$444,392 to CalTIP.

Financial information of CalTIP as of and for the year ended April 30, 2021 (the most recent available) was as follows:

Total Assets	\$ 46,512,537
Total Liabilities	\$ 21,367,354
Net Position	\$ 25,145,183
Total Revenues	\$ 15,456,236
Total Expenses	\$ 13,314,479

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.

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – PENSION PLAN (Continued)

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, 2022, 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	10.34%	7.59%

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.

For the year ended June 30, 2022, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions - employer	\$152,322

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – PENSION PLAN (Continued)

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

As of June 30, 2022, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$219,322

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, 2021, 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, 2020 rolled forward to June 30, 2021 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, 2020 and 2021 was as follows:

	Miscellaneous
Proportion - June 30, 2020	0.0164%
Proportion - June 30, 2021	0.0116%
Change - Increase (Decrease)	-0.0048%

For the year ended June 30, 2022, the Authority recognized pension expense of (\$263,109). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$152,322	
Differences between expected and actual experience	24,595	(\$191,457)
Changes of assumptions		
Change in proportion and differences between employer contributions and proportionate share of contributions	72,356	
Net difference between projected and actual earnings on pension plan investments		(10,222)
Total	\$249,273	(\$201,679)

**WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 – PENSION PLAN (Continued)

\$152,322 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, 2023. 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
2023	(\$6,639)
2024	(15,558)
2025	(29,621)
2026	(52,910)
Thereafter	

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

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increases	Varies by Entry-Age and Service
Investment Rate of Return	7.15%(1)
Mortality Rate Table ¹	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. 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, 2022

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

The table below reflects the long-term expected real rates of return by asset class.

Asset Class (a)	New Strategic Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS Annual Comprehensive Financial Report, Fixed Income is included in Global Det Securities; liquidity is included in Short-term Investments; inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

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

WESTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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	6.15%
Net Pension Liability	\$777,088
Current Discount Rate	7.15%
Net Pension Liability	\$219,322
1% Increase	8.15%
Net Pension Liability	(\$241,775)

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.

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 2022, the Authority contributed \$5,212 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
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%
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
Plan's Covered Payroll	\$591,498	\$647,939	\$690,283	\$863,582	\$891,011	\$914,786	\$1,043,790	\$955,240
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%
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%

Change in assumption - In 2017, the accounting discount rate was decreased from 7.65% to 7.15%.

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

*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, 2022

OPERATING REVENUES	
Passenger Fares	\$ 998,119
Advertising Revenue	55,532
	<hr/>
Total Operating Revenues	1,053,651
OPERATING EXPENSES	
Operations	9,813,713
General and Administrative	1,056,841
Maintenance – Vehicles	1,484,924
Maintenance – Other	232,325
	<hr/>
Total Operating Expenses	12,587,803
Operating Loss	(11,534,152)
NON-OPERATING REVENUES	
Interest Income	9,153
Other Non-Operating Revenues	33,247
Operating Assistance and Grants From Governmental Agencies:	
Bay Area Rapid Transit District	3,100,167
Transportation Development Act	2,631,417
State Transit Assistance	1,262,721
Low Carbon Transit Operations Program	116,352
Regional Measure 2	993,518
Measure J	2,004,347
Federal Transit Administration	4,061,331
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Total Non-Operating Revenues	14,212,253
Refundable to Metropolitan Transportation Commission for June 30, 2022	\$ 2,678,101
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