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GOVERNANCE LETTER

To the Board of Directors
El Dorado County Transit Authority
Diamond Springs, California

We have audited the financial statements of the El Dorado County Transit Authority (the Authority) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We provided such information in the engagement letter dated March 17, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and the Uniform Guidance

As stated in our engagement letter dated March 17, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also, in accordance with the Uniform Guidance, we will examine, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Authority's compliance with those requirements.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We communicated any internal control related matters that are required to be communicated under professional standards in a separate report.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the need for an allowance for uncollectible accounts receivable, grant receivables accrued, depreciable lives used for capital assets, the current portion of the liability for compensated absences, the pension liability and other postemployment benefits liability. The pension and other postemployment benefits liabilities are determined by actuarial valuations. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Two adjustments were made during the audit process to correct for grant revenue that should have been accrued in fiscal year 2019.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 17, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) listed in the table of contents, which are RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Richardson & Company, LLP

November 17, 2021



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MANAGEMENT LETTER

To the Board of Directors and Management
El Dorado County Transit Authority
Placerville, California

In planning and performing our audit of the financial statements of the El Dorado County Transit Authority (the Authority) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The items below summarize our comments and suggestions regarding those matters. A separate report dated November 17, 2021 contains our communication of significant deficiencies in the Authority's internal control. This letter does not affect our report dated November 17, 2021, on the financial statements of the Authority.

Accrued interest payable: Since the interest payments on the capital lease are paid quarterly, and the last payment before the fiscal year end is made in April, the Authority needs to accrue interest payable from the April payment date to the end of June. Currently, interest is being recorded on the cash basis.

Document Retention: In auditing the preventative maintenance grant, we noted documentation supporting payroll costs charged to the grant, including a summary of the personnel and hours, were not readily available at the time of the audit. The Shop Manager was able to produce internal documents that were maintained for performance review that we were able to use to recalculate the hours and payroll charges. The Shop Manager indicated that these documents are only typically maintained until the employees' annual review has been completed and then disposed. We recommend that procedures be put in place to formalize tracking of hours spent on grant-funded projects and that supporting documentation be maintained for costs allocated to grants at least seven years after the grant is closed out and audits are completed to comply with documentation retention standards or the Authority's retention policy, whichever is longer.

* * * * *

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

Richardson & Company, LLP

November 17, 2021

EL DORADO COUNTY TRANSIT AUTHORITY

Audited Financial Statements,
Supplementary Information and Compliance Reports

June 30, 2021 and 2020

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EL DORADO COUNTY TRANSIT AUTHORITY

Audited Financial Statements,
Supplementary Information and Compliance Reports
June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Dorado County Transit Authority
Diamond Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the El Dorado County Transit Authority (the Authority), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits 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, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 financial statements.

To the Board of Directors
El Dorado County Transit Authority

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021 and 2020 and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information, as listed in the accompanying 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, 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

To the Board of Directors
El Dorado County Transit Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 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 including the Transportation Development Act and other State grant guidelines. The purpose of that report is solely to describe the scope of our testing of internal control over the effectiveness of the Authority's financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 17, 2021

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis For Year Ended June 30, 2021

The management of the El Dorado County Transit Authority (the Authority) presents this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. This section is designed to be read in conjunction with the Authority's basic financial statements and the footnotes.

The primary objective of the Management Discussion and Analysis (MD&A) is to enhance the understandability and usefulness of this external financial audit report to the public and oversight government bodies.

Financial and Operational Highlights

- Net position of the Authority as stated \$15,173,638.
- \$1,673,513 of unrestricted net position may be used to meet the Authority's ongoing obligations to provide public transportation. The amount of unrestricted assets is directly affected by recognizing Pension and OPEB Liabilities as outlined in Note G and H.
- Note E – Unearned Revenues, reports there are additional unearned STA funds in the amount of \$1,268,279 on June 30, 2021. This is due to reclaiming unearned LTF revenue from the prior fiscal year. STA funds are primarily used for grant match requirements on capital projects.
- Due to the work at home policies for many business and government offices resulting from concerns related to the spread of COVID-19 in the fiscal year ended June 30, 2021, ridership declined sharply resulting in a sharp decrease in fare revenue, see Note F. Management has offered periods of fare relief to increase ridership and to highlight the transit services offered by the Authority. The Authority continues to be able to fund operations using the available funding.

Overview of Financial Statements

The Authority submits proprietary fund financial statements under the enterprise accounting methodology. Enterprise funds account for service where all or a portion of the cost is recovered via user fees. Prepared under the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), revenues are recorded in the period in which they are earned and expenses are recognized in the period in which they are incurred.

This report includes Balance Sheets, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, Supplementary Information and Compliance Reports. The financial statements presented by the Authority were audited by independent auditors. Notes to the financial statements provide additional information that is essential for a reader to fully understand the financial data provided.

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis For Year Ended June 30, 2021

The basic financial statements are designed to follow corporate presentation models.

- The focus of the **Balance Sheets** is the total net resources available to continue providing public transportation services. This statement consolidates current spendable assets with capital assets.
- The **Statements of Revenues, Expenses and Changes in Net Position** focus on the results of the Authority's operations for the fiscal year. The intent is to report the net cost of the Authority's activities that are mainly supported by local sales taxes and passenger fares.
- The **Statements of Cash Flows** provides an accounting of cash receipts and cash payments that occurred during the fiscal year. This statement reports the cash effects from the Authority's operations, financing, and investment activities.
- **Supplementary Information** is a Schedule of Operating Expenses.
- **Compliance Reports** are included as required.

Financial Analysis

The following schedule was prepared from the Authority's Balance Sheets using the accrual basis of accounting. Assets purchased above \$1,000 with more than one year of useful life are capitalized and depreciated. Net position is the difference between liabilities and assets and are one measure of the financial health of the Authority.

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis For Year Ended June 30, 2021

	Summary of Net Position		Increase (Decrease)
	2021	Restated 2020	
<u>Assets and Deferred Outflows of Resources</u>			
Current Assets	\$ 10,014,467	\$ 9,882,372	\$ 132,095
Restricted Assets	--	33,389	(33,389)
Capital Assets	14,052,750	13,448,325	604,425
Total Assets	24,067,217	23,364,086	703,131
Deferred Outflow of Resources	1,152,230	1,109,822	42,408
Total Assets and Deferred Outflows of Resources	\$ 25,219,447	\$ 24,473,908	\$ 745,539
<u>Liabilities and Deferred Inflows of Resources</u>			
Current and Other Liabilities	\$ 5,739,067	\$ 5,730,925	\$ 8,142
Long-Term Liabilities	4,164,251	4,164,200	51
Total Liabilities	9,903,318	9,895,125	8,193
Deferred Inflow of Resources	142,491	275,858	(133,367)
Total Liabilities and Deferred Inflows of Resources	10,045,809	10,170,983	(125,174)
<u>Net Position</u>			
Net Investment in Capital Assets	13,487,925	12,645,758	842,167
Restricted	12,200	--	12,200
Unrestricted	1,673,513	1,657,167	16,346
Total Net Position	15,173,638	14,302,925	870,713
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 25,219,447	\$ 24,473,908	\$ 745,539

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis For Year Ended June 30, 2021

	Summary of Changes		Increase (Decrease)
	in Net Position		
	2021	2020	
Operating Revenues	\$ 217,169	\$ 1,243,873	\$ (1,026,704)
Operating Expenses	8,821,632	9,831,838	(1,010,206)
Net Operating Loss	<u>(8,604,463)</u>	<u>(8,587,965)</u>	<u>(16,498)</u>
Nonoperating Revenues (Expenses):			
Local Transportation Fund Allocation	4,404,923	3,979,762	425,161
State Transit Assistance Allocation	--	261,662	(261,662)
State of Good Repair	266,380	251,873	14,507
Federal Transit Administration Grants	1,683,913	2,315,238	(631,325)
State Operating Grant	334,181	331,722	2,459
Local Operating Grant	--	--	--
Other Nonoperating Revenues	14,739	14,697	42
Interest Revenue	8,565	48,463	(39,898)
Interest Expense	(17,199)	(29,795)	12,596
Gain (Loss) on Disposal of Capital Assets	1,707	(1,907)	3,614
Total Non-Operating Revenues (Expenses)	<u>6,697,209</u>	<u>7,171,715</u>	<u>(474,506)</u>
Loss Before Capital Contributions	(1,907,254)	(1,416,250)	(491,004)
Capital Contributions	2,777,967	1,681,429	1,096,538
Change in Net Position	870,713	265,179	605,534
Net Position, Beginning of Year	14,302,925	13,787,746	515,179
Restatement		250,000	250,000
Net Position, End of Year	<u>\$ 15,173,638</u>	<u>\$ 14,302,925</u>	<u>\$ 1,370,713</u>

Changes from the prior year include an increase in Current Assets of \$132,095. Restricted Assets decreased by \$33,389, as federal construction projects are being completed. Capital Assets also increased by \$604,425 due to capital project completions. The decrease in Current and Other Liabilities could be attributed to consumption of deferred LTF funds. The total change in unrestricted net position is an increase of \$16,346.

It is the opinion of management that unrestricted net position of \$1,673,513 is a positive indicator of the fiscal condition for the Authority. Based on projected future needs, the Authority can continue to operate under its current cash management methodology in all areas such as grant management, current and long-term liability payments, and operating expenses.

The Balance Sheet reflects unearned revenue of \$4,694,171 with details in the Notes to Financial Statements Note E; this is a downturn from the prior year of \$105,140.

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis For Year Ended June 30, 2021

Current Liabilities include the recognition of Long-term debt – due within one year; this is the current portion due for the lease purchase of five commuter type buses at \$245,807 and compensated absences of \$185,046.

Transportation Development Act (TDA)

Enacted by the California legislature in 1972, the Mills-Alquist-Deddeh Act, better known as the Transportation Development Act (TDA) provides a major source of funding for public transportation implemented by regional transportation planning agencies. TDA statutes are under Government Code Title 3, Division 3, Chapter 2, Article 11 and Public Utilities Code Division 10, Part 11, Chapter 4, Articles 1 – 8.

Each county establishes a Local Transportation Fund (LTF) for TDA purposes. LTF revenues are derived from ¼ cent of the retail sales tax dollars collected statewide. The State Board of Equalization returns the ¼ cent to each county according to the amount of tax collected within its boundaries. As noted, the Authority normally utilizes all the TDA available for transit. TDA for transit operating is determined following the allocation of TDA to the Tahoe Region of El Dorado County, El Dorado County Auditor, Sacramento Area Council of Governments and El Dorado County Transportation Commission.

Annual audits of TDA recipients include a compliance report to verify that the allocations are made within California Code of Regulations.

The Authority is not a general fund recipient from either JPA member jurisdiction as described in Note A; therefore, budget development includes a contingency for unplanned expenses at three percent (3%) for the preliminary budget process. The Authority approved a preliminary \$984,579 contingency for fiscal year 2020/21. With the impact of the reallocation of an operating grant to capital and the recognition of the Pension Liability; it is management opinion that this practice is still appropriate and vital for cash flow purposes.

Capital Assets

At June 30, 2021, the Authority has invested \$14,052,750 in buildings and improvements, transit vehicles and construction in progress, net of depreciation. Additional information on the Authority's capital assets is provided in Note C of the Notes to Financial Statements.

Long-Term Liabilities

At June 30, 2021, the Authority's noncurrent liabilities included one-half (1/2) of the accrued compensated employee absences, the Net Pension Liability, and the Net Other Post-Employment Benefit liabilities. Liabilities in the amount of \$319,018 reflect the balance due after one year for the lease purchase of five commuter type buses. Additional information about the Authority's long-term liabilities is provided in Note D of the Notes to Financial Statements.

EL DORADO COUNTY TRANSIT AUTHORITY

Management's Discussion and Analysis
For Year Ended June 30, 2021

Economic Factors and Related Budget Impact

The ability to fund public transportation is closely related to the local and regional economies. Approximately seventy percent (70%) of the Authority's operating and non-operating revenues are TDA funds including LTF, State Transit Assistance (STA) and State of Good Repair (SGR) funds derived from retail sales tax receipts in the western slope of El Dorado County for fiscal year 2020/21. If the economic impact of COVID-19 continues, a possible decrease in local retail sales tax receipts may result in a significant impact on the ability of the Authority to provide public transportation. Fiscal Year 2020/21 saw an increase of approximately four percent (4%) available LTF to El Dorado Transit.

Research and demographic reporting indicate a projected growth in senior populations. This increase of senior residents on the western slope of El Dorado County will create demand for additional public transit options.

Requests for Information

This discussion is designed to provide general overview to those persons with an interest in the Authority's financial position. Questions or comments may be directed to:

Julie Petersen, Finance Manager
El Dorado County Transit Authority
6565 Commerce Way
Diamond Springs, CA 95619

EL DORADO COUNTY TRANSIT AUTHORITY

BALANCE SHEETS

June 30, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,053,670	\$ 5,298,343
Accounts receivable	190,732	46,369
Accrued interest receivable	1,044	4,279
Due from other governments	4,505,902	4,262,332
Inventory	257,189	264,040
Other assets	5,930	7,009
TOTAL CURRENT ASSETS	<u>10,014,467</u>	<u>9,882,372</u>
NONCURRENT ASSETS		
Restricted cash and cash equivalents		33,389
Capital assets:		
Not depreciated	836,560	2,402,367
Depreciated, net	13,216,190	11,045,958
Total capital assets	<u>14,052,750</u>	<u>13,448,325</u>
TOTAL NONCURRENT ASSETS	<u>14,052,750</u>	<u>13,481,714</u>
TOTAL ASSETS	<u>24,067,217</u>	<u>23,364,086</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	1,040,872	1,009,744
Other postemployment benefits (OPEB) plan	111,358	100,078
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,152,230</u>	<u>1,109,822</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 25,219,447</u>	<u>\$ 24,473,908</u>

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

BALANCE SHEETS (Continued)

June 30, 2021 and 2020

	<u>2021</u>	<u>Restated 2020</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 496,067	\$ 323,490
Accrued expenses	117,976	148,850
Unearned revenues	4,694,171	4,799,311
Compensated absences, due within one year	185,046	221,532
Capital lease, due within one year	245,807	237,742
TOTAL CURRENT LIABILITIES	<u>5,739,067</u>	<u>5,730,925</u>
LONG-TERM LIABILITIES		
Compensated absences, due in more than one year	185,046	221,532
Capital lease, due in more than one year	319,018	564,825
Net pension liability	3,541,021	3,237,285
Net other postemployment benefits liability	119,166	140,558
TOTAL LONG-TERM LIABILITIES	<u>4,164,251</u>	<u>4,164,200</u>
TOTAL LIABILITIES	<u>9,903,318</u>	<u>9,895,125</u>
DEFERRED INFLOWS OF RESOURCES		
Pension plan	66,613	186,499
Other postemployment benefits plan	75,878	89,359
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>142,491</u>	<u>275,858</u>
NET POSITION		
Net investment in capital assets	13,487,925	12,645,758
Restricted for transit vehicle purchases	12,200	
Unrestricted	1,673,513	1,657,167
TOTAL NET POSITION	<u>15,173,638</u>	<u>14,302,925</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 25,219,447</u>	<u>\$ 24,473,908</u>

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

EL DORADO COUNTY TRANSIT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Fares	\$ 217,169	\$ 1,243,873
TOTAL OPERATING REVENUES	<u>217,169</u>	<u>1,243,873</u>
OPERATING EXPENSES		
Operating expenses	6,929,866	8,105,635
Depreciation and amortization	1,891,766	1,726,203
TOTAL OPERATING EXPENSES	<u>8,821,632</u>	<u>9,831,838</u>
OPERATING LOSS	(8,604,463)	(8,587,965)
NONOPERATING REVENUES (EXPENSES)		
Local transportation fund allocation	4,404,923	3,979,762
State transit assistance fund allocation		261,662
State of good repair	266,380	251,873
Federal transit administration grants	1,683,913	2,315,238
State operating grants	334,181	331,722
Other nonoperating revenues	14,739	14,697
Interest revenue	8,565	48,463
Interest expense	(17,199)	(29,795)
Gain (loss) on disposal of capital assets	1,707	(1,907)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,697,209</u>	<u>7,171,715</u>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(1,907,254)	(1,416,250)
CAPITAL CONTRIBUTIONS		
State transit assistance fund allocation	97,146	802,102
Federal grants	1,552,000	610,000
Local transportation fund allocation	1,113,060	
PTMISEA		259,583
CalOES grant	15,761	9,744
TOTAL CAPITAL CONTRIBUTIONS	<u>2,777,967</u>	<u>1,681,429</u>
CHANGE IN NET POSITION	870,713	265,179
Net position, beginning of year, as previously reported	14,302,925	13,787,746
Restatement		250,000
Net position, beginning of year, as restated	<u>14,302,925</u>	<u>14,037,746</u>
NET POSITION, END OF YEAR	<u>\$ 15,173,638</u>	<u>\$ 14,302,925</u>

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

EL DORADO COUNTY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 72,806	\$ 1,265,290
Cash paid to suppliers for goods and services	(3,912,660)	(4,701,889)
Cash paid to employees for services	(2,833,976)	(3,268,370)
NET CASH USED BY OPERATING ACTIVITIES	<u>(6,673,830)</u>	<u>(6,704,969)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and subsidies	5,465,662	6,872,702
Miscellaneous revenues (expenses)	14,739	15,822
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>5,480,401</u>	<u>6,888,524</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grants received for capital acquisitions	3,652,992	1,284,348
Acquisition of capital assets	(2,523,032)	(1,837,461)
Payments on capital lease	(237,742)	(173,173)
Interest paid	(17,199)	(29,795)
Proceeds from disposal of capital assets	28,548	194
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>903,567</u>	<u>(755,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	11,800	52,101
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,800</u>	<u>52,101</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(278,062)	(520,231)
Cash and cash equivalents, beginning of year	<u>5,331,732</u>	<u>5,851,963</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,053,670</u>	<u>\$ 5,331,732</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET		
Cash and cash equivalents	\$ 5,053,670	\$ 5,298,343
Restricted cash and cash equivalents	<u>-</u>	<u>33,389</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 5,053,670</u>	<u>\$ 5,331,732</u>

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (8,604,463)	\$ (8,587,965)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	1,891,766	1,726,203
Changes in operating assets and liabilities:		
Accounts receivable	(144,363)	21,417
Inventory	6,851	(17,558)
Other assets	1,079	(850)
Deferred outflows - pension plan	(31,128)	13,257
Deferred outflows - OPEB plan	(11,280)	(17,315)
Accounts payable	172,577	(156,267)
Accrued expenses	(30,874)	68,986
Compensated absences	(72,972)	55,758
Net pension liability	303,736	286,438
Net OPEB liability	(21,392)	(56,609)
Deferred inflows - pension plan	(119,886)	(85,642)
Deferred inflows - OPEB plan	(13,481)	45,178
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (6,673,830)</u>	<u>\$ (6,704,969)</u>

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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the El Dorado County Transit Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority follows Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

Description of Reporting Entity: The El Dorado Transit, the predecessor to the Authority, was created in the late 1970's to initially provide transit services for the elderly and handicapped and, subsequently, to meet the transportation needs of the general public for the western slope of El Dorado County as part of the El Dorado County's Enterprise Fund. A Joint Exercise of Powers Agreement was signed between El Dorado County and the City of Placerville whereby the Authority would operate as a Joint Powers Agency pursuant to Section 6500 of the California Government Code and would be administratively separated from the County. The Authority's operations were separated from the El Dorado County Enterprise Fund on January 1, 1994. In addition to fare revenues, the Authority receives funds under the provisions of the Transportation Development Act from the El Dorado County Transportation Commission's Local Transportation Fund and State Transit Assistance Fund. The Authority also receives revenue from other federal and state grantor agencies.

The Authority offers the following services: Commuter service to downtown Sacramento with separate service connecting to light rail in Folsom, California; fixed route bus service to the communities of Pollock Pines, Camino, Placerville, El Dorado, Diamond Springs, Shingle Springs, Cameron Park, and non-emergency medical transportation to Sacramento County. The Authority also provides shared-ride services for elderly and disabled persons including activity program transportation for persons attending programs offered by the Mother Lode Rehabilitation Enterprise, Senior Day Care Programs and New West Dialysis Clinic; Americans with Disabilities Act (ADA) services for eligible persons and Dial-A-Ride Services for those persons unable to access the regular bus route system. The Authority offers charter bus services, in which a fee is charged to cover the costs of the charter, and contract services for Alta California Regional Center.

All significant activities on which the Authority exercises oversight responsibility have been included in the financial statements. The Authority is governed by a Board of Directors comprised of five members, with three members appointed by the Board of Supervisors of El Dorado County and two members appointed by the City Council of the City of Placerville.

Basis of Presentation: The Authority's resources are allocated to and accounted for in these financial statements as an enterprise fund type of the proprietary fund group. The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of the Authority are included on the balance sheet. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The Authority uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Non-exchange revenues are recognized when all eligibility requirements have been met. Cost reimbursement grant revenues are recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received before eligibility requirements are met they are recorded as unearned revenues until earned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to passengers for public transit services. Operating expenses for the Authority include the cost of transit services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including bank deposits and the investment in the State of California Local Agency Investment Fund (LAIF).

Restricted Cash: The Authority had bank deposits that are restricted for the following at June 30, 2020:

	<u>2020</u>
California Transit Security Grant Program (CTSGP) projects	\$ 15,762
Claims expenses	<u>17,627</u>
	<u>\$ 33,389</u>

Accounts Receivable and Due from Other Governments: Accounts receivable consists mainly of amounts due from passengers and other agencies for fares. Amounts due from other governments consist mostly of amounts due from operating and capital grants. Management believes its accounts receivable and amounts due from other governments to be fully collectible and, accordingly, no allowance for doubtful accounts is required.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory: Inventories are valued at cost, which is determined on an average cost basis, and consist primarily of transit vehicle parts and supplies held for consumption. The cost is recorded as an expense when the items are consumed in operations.

Capital Assets: Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Capital assets are defined as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Provision is made for depreciation by the straight-line method over the estimated useful lives of these assets which range from three to forty years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Unearned Revenues: Unearned revenues arise when resources are received by the Authority before it has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses. Information on unearned revenues is reported in Note E.

Compensated Absences: The Authority's policy allows employees to accumulate earned but unused vacation, sick leave, and compensatory time off that will be paid to employees upon separation from the Authority's service, subject to a vesting policy. The cost of vacation, sick leave and compensatory time off is recognized in the period earned by the employee.

Net Position: Net position is categorized as the net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and debt used to purchase capital assets reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority's restricted net position at June 30, 2021 represents insurance proceeds that are required by federal regulation to be used for another bus purchase. There was no restricted net position at June 30, 2020.

Unrestricted Net Position – This category represents net position of the Authority not restricted for any project or other purpose.

Deferred Outflows and Inflows of Resources: In addition to liabilities, the statement of net position reports separate sections for deferred outflows and deferred inflows of resources. *Deferred outflows of resources* represent a consumption of net position by the government that is applicable to a future reporting period. *Deferred inflows of resources* represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earning process is complete. Deferred outflows and inflows of resources represent amounts deferred related to the Authority's pension and OPEB plans as described in Notes G and H.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension plan, and pension expense, information about the fiduciary net position of the Authority’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) Plan: For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Insurance Proceeds: The Authority received proceeds totaling \$120,870 during the year ended June 30, 2021 for the repair of damaged buses, which has been recorded as a reduction in the repairs expense.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial 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. Any contract that meets this definition should be accounted for under the lease guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The Authority is currently analyzing the impact of these new Statements on the financial statements.

NOTE B – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, are classified in the accompanying financial statements as follows:

	2021	2020
Cash and cash equivalents	\$ 5,053,670	\$ 5,298,343
Restricted cash and cash equivalents		33,389
	<u>\$ 5,053,670</u>	<u>\$ 5,331,732</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

The Authority’s cash and cash equivalents as of June 30, 2021 and 2020 consisted of the following:

	2021	2020
Cash on hand	\$ 200	\$ 200
Deposits in financial institutions	3,774,565	4,063,370
Investment in the Local Agency Investment Fund	1,278,905	1,268,162
	\$ 5,053,670	\$ 5,331,732

Investment Policy: California statutes, and the Joint Exercise of Powers Agreement establishing the Authority discussed in Note A, authorize governmental agencies to invest surplus funds in a variety of credit instruments as provided in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The Authority’s investment policy further restricts investments to bank deposits, including certificates of deposit, and the Local Agency Investment Fund (LAIF).

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2021 and 2020, the weighted average maturity of the investment in LAIF was approximately 291 and 191 days, respectively.

Credit Risk: Generally credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of governmental investment pools.

At June 30, 2021 and 2020, the carrying amounts of the Authority’s deposits were \$3,774,565 and \$4,063,370, respectively, and the balances in financial institutions were \$3,774,565 and \$4,076,686, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$3,524,565 and \$3,826,686 at June 30, 2021 and 2020, respectively, was covered by the pledging financial institution with assets held in a common pool for the Authority and other governmental agencies, but not in the name of the Authority.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

Investment in LAIF: LAIF is stated at amortized cost, which approximates fair value. The LAIF is a special fund of the California State Treasury’s Pooled Money Investment Account (PMIA) through which local governments may pool investments. The total fair value amount invested by all public agencies in PMIA was \$193,321,015,759 managed by the State Treasurer. Of that amount, 2.31% is invested in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The amortized cost of the Authority’s investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30:

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	\$ 602,510				\$ 602,510
Construction in progress	1,799,857	\$ 410,357		\$(1,976,164)	234,050
Total capital assets, not being depreciated	<u>2,402,367</u>	<u>410,357</u>	<u>-</u>	<u>(1,976,164)</u>	<u>836,560</u>
Capital assets, being depreciated:					
Buildings and improvements	5,329,274			1,889,727	7,219,001
Transit vehicles	16,584,259	2,061,593	\$(1,447,887)		17,197,965
Equipment	2,718,864	51,082	(21,895)	86,437	2,834,488
Total capital assets, being depreciated	<u>24,632,397</u>	<u>2,112,675</u>	<u>(1,469,782)</u>	<u>1,976,164</u>	<u>27,251,454</u>
Less accumulated depreciation:					
Building and improvements	(2,297,330)	(258,232)			(2,555,562)
Transit vehicles	(9,551,875)	(1,411,882)	1,421,046		(9,542,711)
Equipment	(1,737,234)	(221,652)	21,895		(1,936,991)
Total accumulated depreciation	<u>(13,586,439)</u>	<u>(1,891,766)</u>	<u>1,442,941</u>		<u>(14,035,264)</u>
Total capital assets being depreciated, net	<u>11,045,958</u>	<u>220,909</u>	<u>(26,841)</u>	<u>1,976,164</u>	<u>13,216,190</u>
Capital assets, net	<u>\$ 13,448,325</u>	<u>\$ 631,266</u>	<u>\$ (26,841)</u>	<u>\$ -</u>	<u>\$ 14,052,750</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE C – CAPITAL ASSETS (Continued)

	Balance at June 30, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 602,510				\$ 602,510
Construction in progress	1,349,267	\$ 517,450	\$ (1,126)	\$ (65,734)	1,799,857
Total capital assets, not being depreciated	1,951,777	517,450	(1,126)	(65,734)	2,402,367
depreciated:					
Buildings and improvements	5,175,992	126,812	\$ (4,395)	30,865	5,329,274
Transit vehicles	15,469,800	1,126,539	(12,080)		16,584,259
Equipment	2,778,523	66,660	(161,188)	34,869	2,718,864
Total capital assets, being depreciated	23,424,315	1,320,011	(177,663)	65,734	24,632,397
Less accumulated depreciation:					
Building and improvements	(2,048,831)	(250,794)	2,295		(2,297,330)
Transit vehicles	(8,402,100)	(1,161,855)	12,080		(9,551,875)
Equipment	(1,584,868)	(313,554)	161,188		(1,737,234)
Total accumulated depreciation	(12,035,799)	(1,726,203)	175,563	-	(13,586,439)
Total capital assets being depreciated, net	11,388,516	(406,192)	(2,100)	65,734	11,045,958
Capital assets, net	\$ 13,340,293	\$ 111,258	\$ (3,226)	\$ -	\$ 13,448,325

NOTE D – LONG-TERM LIABILITIES

Long-term liability activity consisted of the following for the year ended June 30:

	Balance at June 30, 2020	Additions	Retirements	Balance at June 30, 2021	Due Within One Year
Compensated absences	\$ 443,064	\$ 148,560	\$ (221,532)	\$ 370,092	\$ 185,046
Capital lease	802,567		(237,742)	564,825	245,807
Net pension liability	3,237,285	303,736		3,541,021	
Net OPEB liability	140,558		(21,392)	119,166	
	\$ 4,623,474	\$ 452,296	\$ (480,666)	\$ 4,595,104	\$ 430,853
	Balance at June 30, 2019	Additions	Retirements	Balance at June 30, 2020	Due Within One Year
Compensated absences	\$ 387,306	\$ 249,411	\$ (193,653)	\$ 443,064	\$ 221,532
Capital lease	975,740		(173,173)	802,567	237,742
Net pension liability	2,950,847	286,438		3,237,285	
Net OPEB liability	197,167		(56,609)	140,558	
	\$ 4,511,060	\$ 535,849	\$ (423,435)	\$ 4,623,474	\$ 459,274

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D – LONG-TERM LIABILITIES (Continued)

In July 2018, the Authority entered into an installment sale agreement to finance vehicles purchased in June 2018, which requires quarterly payments of \$65,416 through July 2023, including interest at 3.35%. The Agreement is secured by five commuter buses. Should the Authority default on the payments, interest will be owed from due date to payment date at 12% and the vehicles are subject to repossession.

As of June 30, future minimum lease payments under the capital lease obligation are as follows:

Year Ending June 30:	2021		2020	
	Principal	Interest	Principal	Interest
2021			\$ 237,742	\$ 23,920
2022	\$ 245,807	\$ 15,855	245,807	15,855
2023	254,146	7,517	254,146	7,517
2024	64,872	543	64,872	543
Totals	<u>\$ 564,825</u>	<u>\$ 23,915</u>	<u>\$ 802,567</u>	<u>\$ 47,835</u>

NOTE E – UNEARNED REVENUES

A schedule of changes in unearned revenue for the year ended June 30, 2021 and 2020 is as follows:

	LTF Operating	STA Operating/ Capital	State of Good Repair	CalOES	LCTOP	Total
Balance, June 30, 2020	\$ 1,260,529	\$ 3,523,020		\$ 15,762		\$ 4,799,311
Allocations	4,257,454	1,268,279	\$ 269,997		\$ 334,181	6,129,911
Interest and other	8,402			6	157	8,565
Fares	217,169					217,169
Expenses	(5,743,554)	(97,128)	(269,997)	(15,768)	(334,338)	(6,460,785)
Balance, June 30, 2021	<u>\$ -</u>	<u>\$ 4,694,171</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,694,171</u>

	LTF Operating	Operating/ Capital	Good Repair	PTMISEA	CalOES	LCTOP	Total
Balance, June 30, 2019		\$ 3,053,113		\$ 259,583	\$ 25,505		\$ 3,338,201
Prior period adjustment	\$ (77,274)						(77,274)
Allocations	5,240,291	1,533,671	\$ 251,873			\$ 331,722	7,357,557
Interest and other	44,314			2,513	207	1,429	48,463
Fares	1,243,873						1,243,873
Expenses	(5,190,675)	(1,063,764)	(251,873)	(262,096)	(9,950)	(333,151)	(7,111,509)
Balance, June 30, 2020	<u>\$ 1,260,529</u>	<u>\$ 3,523,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,762</u>	<u>\$ -</u>	<u>\$ 4,799,311</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE E – UNEARNED REVENUES (Continued)

Local Transportation Fund: The Local Transportation Fund (LTF) provides support to the transit system to fund its operation. The Transportation Development Act (TDA) requires that funds in excess of actual operating costs as defined by section 6634 of the California Code of Regulations must be either returned to their source or retained and used in the following fiscal year. The maximum amount allowed is based on operating costs after certain adjustments. Allocations in excess of this amount are recorded as unearned revenue. The maximum LTF revenues available for the fiscal years ended June 30 were as follows:

	<u>2021</u>	<u>2020</u>
Unearned LTF allocations at beginning of year	\$ 1,260,529	\$ -
Prior Period Adjustment		(77,274)
LTF allocation		
Total amount allocated	<u>4,257,454</u>	<u>5,240,291</u>
LTF allocations available for operating costs	<u>5,517,983</u>	<u>5,163,017</u>
Maximum amount allowed:		
Operating expenses	8,821,632	9,831,838
Less: Depreciation	<u>(1,891,766)</u>	<u>(1,726,203)</u>
Actual operating cost of existing service	6,929,866	8,105,635
Adjustments:		
Fares	(217,169)	(1,243,873)
Federal, state and local operating grants	(2,284,630)	(2,900,262)
Other income	(14,739)	(14,697)
Interest revenue available for operating costs	(8,402)	(44,315)
Lease payments funded with LTF	157,795	
Capital assets purchased with LTF	<u>955,262</u>	
Maximum amount allowed	<u>5,517,983</u>	<u>3,902,488</u>
Unearned LTF allocations at end of year	<u>\$ -</u>	<u>\$ 1,260,529</u>

State Transit Assistance: State Transit Assistance (STA) allocations were used to fund capital asset purchases. Allocations in excess of qualifying expenses are recorded as unearned revenue. The maximum STA revenues available for the fiscal years ended June 30, 2021 and 2020 were determined as follows:

	<u>2021</u>	<u>2020</u>
Unearned STA allocations at beginning of year	\$ 3,523,020	\$ 3,053,113
STA allocation	<u>1,268,279</u>	<u>1,533,671</u>
STA allocations available	<u>4,791,299</u>	<u>4,586,784</u>
Maximum amount allowed:		
Capital assets purchased	97,128	802,102
Lease payments funded with STA		<u>261,662</u>
Maximum amount allowed	<u>97,128</u>	<u>1,063,764</u>
Unearned STA allocations at end of year	<u>\$ 4,694,171</u>	<u>\$ 3,523,020</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE E – UNEARNED REVENUES (Continued)

State of Good Repair: State of Good Repair (SGR) allocations are to be used for preventative maintenance for the fleet. Allocations in excess of qualifying expenses are recorded as unearned revenue. The maximum SGR revenues available for the fiscal years ended June 30, 2021 and 2020 were determined as follows:

	<u>2021</u>	<u>2020</u>
Unearned SGR allocations at beginning of year		
SGR allocation	\$ 266,380	251,873
SGR allocations available	<u>266,380</u>	<u>251,873</u>
Maximum amount allowed:		
Preventative maintenance for fleet		251,873
Repair and rehabilitation	266,380	
Maximum amount allowed	<u>266,380</u>	<u>251,873</u>
Unearned SGR allocations at end of year	<u>\$ -</u>	<u>\$ -</u>

PTMISEA: In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements or for rolling stock procurement, rehabilitation or replacement.

During the year ended June 30, 2015, the Authority applied for and received \$1,686,183, from the State PTMISEA account for various purchases. As of June 30, 2020, funds expended were verified in the course of the audit as follows:

Beginning balance	\$ 259,583
Interest earnings	2,513
Expenses incurred:	
Western Placerville interchange	<u>(262,096)</u>
Unexpended proceeds	<u>\$ -</u>

California Office of Emergency Services (CalOES): As approved by the voters in the November 2006 general elections, Proposition 1B enacts the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes, including grants for transit system safety, security and disaster response projects. CalOES has been charged with administering the following Prop 1B California Transit Security Grant Program (CTSGP).

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE E – UNEARNED REVENUES (Continued)

Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance. As of June 30, 2021 and 2020, funds received and expended were as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 15,762	\$ 25,505
CalOES funds received		
Interest earnings	6	207
Expenses incurred:		
Radio system update	<u>(15,768)</u>	<u>(9,950)</u>
Unexpended proceeds	<u>\$ -</u>	<u>\$ 15,762</u>

LCTOP: The Low Carbon Transit Operations Program (LCTOP) was established by the California Legislature in 2014 by Senate Bill 862. The LCTOP provides funds to transit agencies to reduce greenhouse gas emission and improve mobility through operating and capital grants. Projects approved for LCTOP will support bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions.

As of June 30, LCTOP funds expended were verified in the course of the audit as follows:

	<u>2021</u>	<u>2020</u>
LCTOP received	\$ 334,181	\$ 331,722
Interest earnings	157	1,429
Expenses incurred:		
Cameron Park Fixed Route Service expansion	(284,338)	(333,151)
Reduced and/or free fares	<u>(50,000)</u>	
Unexpended proceeds	<u>\$ -</u>	<u>\$ -</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE F – FARE REVENUE RATIO

The Authority is required to maintain a fare revenue to operating expense ratio in accordance with the Transportation Development Act. The fare revenue to operating expenses ratio for the Authority is calculated as follows for the year ended June 30:

	<u>2021</u>	<u>2020</u>
Fare revenues	\$ 217,169	\$1,243,873
Other local funds	<u>19,687</u>	<u>63,160</u>
Fare revenues and local funds, excluding charter service	236,856	1,307,033
Operating expenses	8,821,632	9,831,838
Less allowable exclusions:		
Depreciation and amortization	<u>(1,891,766)</u>	<u>(1,726,203)</u>
Net operating expenses	<u>\$ 6,929,866</u>	<u>\$ 8,105,635</u>
Fare revenue ratio	<u>3.42%</u>	<u>16.12%</u>

The Authority did not comply with the required 12.22% fare revenue for the year ended June 30, 2021. However, Assembly Bill No. 90 (AB 90), signed into legislation on June 29, 2020, was enacted in response to the COVID-19 pandemic’s impact on transit operators to hold them harmless for significant decreases in ridership and fare revenues. AB 90 prohibits the implementation of a penalty for failure to meet the required minimum fare revenue ratio during the years ended June 30, 2020 and 2021. No penalties will be applied to future years for the failure to meet the minimum required fare revenue ratio during these fiscal years.

NOTE G – PENSION PLAN

Plan Descriptions: All qualified employees are eligible to participate in the Authority’s cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). The Authority participates in the CalPERS Miscellaneous Risk Pool and the following rate plans:

- Miscellaneous Rate Plan
- PEPRAs Miscellaneous Rate Plan

Benefit provisions under the Plan are established by State statute and Board 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 at www.calpers.ca.gov.

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 (52 for PEPRAs Miscellaneous Rate Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is the following: the 1959 Survivor Benefit, level 3 or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G – PENSION PLAN (Continued)

The Plan’s provisions and benefits in effect at June 30, 2021 and 2020, are summarized as follows:

	Miscellaneous Rate Plan (Prior to January 1, 2013)	PEPRA Miscellaneous Rate Plan (On or after January 1, 2013)
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates 2020/21	7.000%	7.25%
Required employer contribution rates 2020/21	11.746%	7.874%
Required employee contribution rates 2019/20	7.000%	7.25%
Required employer contribution rates 2019/20	10.868%	7.072%

In addition to the contribution rate above, the Authority was also required to make a payment of \$358,328 and \$240,472 towards its unfunded actuarial liability during the years ended June 30, 2021 and 2020, respectively.

The Miscellaneous Rate Plan is closed to new members that are not already CalPERS eligible participants.

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 the 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.

The contributions to the Plan were \$614,552 and \$531,657 for the years ended June 30, 2021 and 2020, respectively.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2021 and 2020, the Authority reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,541,021 and \$3,237,285, respectively.

The Authority’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability as of June 30, 2021 and 2020 is measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 and 2018 rolled forward to June 30, 2020 and 2019 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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G – PENSION PLAN (Continued)

employers, actuarially determined. The Authority’s proportionate share of the net pension liability as of June 30, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Proportion - June 30, 2021	0.08395%	
Proportion - June 30, 2020	0.08084%	
Change - Increase (Decrease)	0.00311%	
Proportion - June 30, 2020		0.08084%
Proportion - June 30, 2019		0.07830%
Change - Increase (Decrease)		0.00254%

For the years ended June 30, 2021 and 2020, the Authority recognized a pension expense of \$235,616 and \$258,135. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>2021</u>		<u>2020</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 614,552		\$ 531,657	
Differences between actual and expected experience	182,479		224,843	\$ (17,421)
Differences between the employer's contribution and the employer's proportionate share of contributions	2,504	\$(41,357)	10,548	(9,554)
Change of assumptions		(25,256)	154,369	(54,722)
Change in employer's proportion	136,145		88,327	(48,204)
Net differences between projected and actual earnings on plan investments	105,192	-		(56,598)
Total	<u>\$ 1,040,872</u>	<u>\$(66,613)</u>	<u>\$ 1,009,744</u>	<u>\$(186,499)</u>

The amount in the table above 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 subsequent year. Other amounts reported as net deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

	<u>Fiscal Year Ended</u>		
	<u>June 30</u>	<u>2021</u>	<u>2020</u>
2021			\$ 231,261
2022	\$ 91,032		6,901
2023	128,151		41,990
2024	90,071		11,436
2025	50,453		
	<u>\$ 359,707</u>		<u>\$ 291,588</u>

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G – PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities in the actuarial valuations for the Plan were determined using the following actuarial assumptions:

	2021	2020
Valuation Date	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate (1)	7.15%	7.15%
Inflation	2.50%	2.50%
Projected Salary Increases	Varies by age and service	
Mortality	Derived using CalPERS Membership Data for all Funds	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions was developed based on CalPERS-specific data. The table for June 30, 2021 and 2020 includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP2016. Further details can be found in the December 2017 experience study report based on demographic data from 1997 to 2015 on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the years ended June 30, 2020 and 2019. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE G – PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class for the Plans as of the measurement dates of June 30. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	2021			2020		
	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%	28.0%	1.00%	2.62%
Inflation Assets		0.77%	1.81%		0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%	13.0%	3.75%	4.93%
Liquidity	1.0%		(0.92)%	1.0%		(0.92)%
Total	<u>100.0%</u>			<u>100.0%</u>		

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

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

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:

	2021	2020
1% Decrease	6.15%	6.15%
Net Pension Liability	\$ 5,738,096	\$ 5,297,487
Current Discount Rate	7.15%	7.15%
Net Pension Liability	\$ 3,541,021	\$ 3,237,285
1% Increase	8.15%	8.15%
Net Pension Liability	\$ 1,725,647	\$ 1,536,735

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

Payable to the Pension Plan: At June 30, 2021 and 2020, the Authority reported payables for the outstanding amount of contributions to the Plan of \$1,086 and \$4,755, respectively.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The Authority participates in an agent multiple-employer defined benefit postemployment healthcare benefits plan (the Plan). Benefit provisions are established and may be amended by the Authority’s Board of Directors subject to employment agreements. The Authority provides healthcare benefits to eligible retirees and their dependents through the CalPERS Public Employees’ Medical and Hospital Care Act program (PEMHCA). The plan is administered by CalPERS through the California Public Employers’ Retiree Benefit Trust (CERBT) Fund. The CERBT is a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to administer retiree healthcare benefits and collectively invest plan assets of all trust members. CERBT issues financial statements that may be obtained from the CalPERS website at www.calpers.ca.gov. The Authority’s Plan does not issue publicly available financial statements.

Benefit’s Provided: The Authority provides a retiree medical contribution for employees who retire directly from the Authority under CalPERS. The Plan requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 (52 for PEPRRA employees) with 5 years of public agency experience or approved disability retirement, and begin retirement within 120 days of terminating employment with the Authority. The Authority’s contribution is capped at 5% times the number of years the Authority has contracted with PEHMCA, multiplied by the CalPERS’ Minimum Employer Contribution (MEC), which was \$90.35 and \$81.60 in 2021 and 2020, respectively. The assumed future increases in the MEC was changed from 4.5% to 4% during 2020. The Retired plan members and their beneficiaries will pay the annual premium cost not paid by the employer. The benefit continues to surviving spouses and dependents.

Employees Covered by Benefit Terms: At June 30, 2021 and 2020, the following employees were covered by the benefit terms:

	<u>2021</u>	<u>2020</u>
Inactive employees or beneficiaries currently receiving benefit payments	5	5
Inactive plan members not receiving benefits	4	4
Active employees	<u>25</u>	<u>25</u>
Total	<u>34</u>	<u>34</u>

Contributions: The Authority prefunds the plan by contributing at least 100% of actuarially determined contributions (ADC) to the CERBT. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2021, the Authority’s cash contributions (ADC) to the trust were \$51,022, benefit payments were \$5,714 and the estimated implied subsidy was \$27,262 resulting in total payments of \$83,998. During the fiscal year ended June 30, 2020, the Authority’s cash contributions (ADC) to the trust were \$49,568, benefit payments were \$4,995 and the estimated implied subsidy was \$21,822, resulting in total payments of \$76,385.

Net OPEB Liability: The Authority's net OPEB liability at June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2019 for both years.

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

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	2021	2020
Valuation date	June 30, 2019	June 30, 2019
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry-age normal cost method, level percent of pay	
Actuarial assumptions:		
Discount rate	6.85%	6.85%
Salary increases	3.25% per year	3.25% per year
General inflation rate	2.75%	2.75%
Mortality rate	MacLeod Watts Scale 2018	MacLeod Watts Scale 2018
Healthcare trend rate	6.5% in 2021 to 5% in 2024 and later	6.5% in 2021 to 5% in 2024 and later

Demographic actuarial assumptions in both 2021 and 2020 are based on the 2017 CalPERS experience study using data from 1997 to 2015, except for a different basis used to project future mortality improvements, and mortality rates used were those published by CalPERS, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected.

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2021		2020	
	Percentage of Portfolio	Assumed Gross Return	Percentage of Portfolio	Assumed Gross Return
Global Equity	57.0%	5.71%	57.0%	5.71%
Fixed Income	27.0%	2.40%	27.0%	2.40%
Global Real Estate Investment Trusts (REITs)	8.0%	7.88%	8.0%	7.88%
Treasury Inflation Protected Securities (TIPS)	5.0%	2.25%	5.0%	2.25%
Commodities	3.0%	4.95%	3.0%	4.95%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.85% for both of the years ended June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

	2021			2020		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at beginning of year	\$ 552,779	\$ 412,221	\$ 140,558	\$ 530,488	\$ 333,321	\$ 197,167
Changes in the year:						
Service cost	36,650		36,650	43,360		43,360
Interest	39,457		39,457	39,626		39,626
Expected investment income		29,928	(29,928)		25,158	(25,158)
Changes in assumptions				(60,570)		(60,570)
Contributions - employer		76,385	(76,385)		64,791	(64,791)
Investment experiences		(8,606)	8,606		(3,591)	3,591
Plan experiences				7,259		7,259
Benefit payments	(26,817)	(26,817)		(7,384)	(7,384)	
Administrative and other expenses		(208)	208		(74)	74
Net changes	49,290	70,682	(21,392)	22,291	78,900	(56,609)
Balance at end of year	<u>\$ 602,069</u>	<u>\$ 482,903</u>	<u>\$ 119,166</u>	<u>\$ 552,779</u>	<u>\$ 412,221</u>	<u>\$ 140,558</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	2021			2020		
	Current			Current		
	1% Decrease Discount Rate	Current	1% Increase	1% Decrease Discount Rate	Current	1% Increase
	5.85%	6.85%	7.85%	5.85%	6.85%	7.85%
Net OPEB liability	\$ 188,853	\$ 119,166	\$ 60,469	\$ 204,896	\$ 140,558	\$ 86,377

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents 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 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	2021			2020		
	Current Healthcare Cost			Current Healthcare Cost		
	1% Decrease Trend Rates	Current	1% Increase	1% Decrease Trend Rates	Current	1% Increase
Net OPEB liability	\$ 48,470	\$ 119,166	\$ 205,281	\$ 75,650	\$ 140,558	\$ 219,623

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the years ended June 30, 2021 and 2020, the Authority recognized OPEB expense of \$37,845 and \$47,639, respectively. At June 30, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 83,998		\$ 76,385	
Change in assumptions	13,340	\$(67,993)	15,656	\$(79,817)
Difference between expected and actual experience	5,527	(7,885)	6,393	(9,542)
Net differences between projected and actual earnings on plan investments	8,493		1,644	
Total	<u>\$ 111,358</u>	<u>\$(75,878)</u>	<u>\$ 100,078</u>	<u>\$(89,359)</u>

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the OPEB liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	2021	2020
2021		\$ (10,263)
2022	\$ (8,544)	(10,265)
2023	(7,723)	(9,444)
2024	(7,859)	(9,580)
2025	(8,577)	(10,299)
2026	(8,798)	
Thereafter	(7,017)	(15,815)
	<u>\$ (48,518)</u>	<u>\$ (65,666)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 8.38 years at June 30, 2021 and 2020.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE I – INSURANCE COVERAGE

The Authority participates in the California Transit Insurance Pool (CalTIP), a joint powers public entity risk pool of governmental transit operators within California, for general, automobile, public officials errors and omissions liability and vehicle physical damage (collision and comprehensive). The Authority is provided with an excess coverage fund for these items through commercial insurance. Loss contingency reserves established by CalTIP are funded by contributions from member agencies. The Authority pays an annual premium to CalTIP that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the CalTIP. The Authority’s deductibles and maximum coverage under CalTIP were as follows at June 30, 2021 and 2020:

	<u>Pool Coverage</u>	<u>Commercial Coverage</u>	<u>Deductible</u>
General, Auto and Public Officials Errors & Omissions Liability	\$25,000,000	\$25,000,000	none
Vehicle Physical Damage	100,000	19,900,000	\$500 to \$5,000
Employment Practices	1,000,000	2,000,000	\$50,000

CalTIP is governed by a Board of Directors and member agencies are entitled to representation on the board. Upon termination of the JPA agreements, all property of CalTIP would be returned the respective parties that transferred the property to CalTIP and any surplus of funds and assets would be returned to the parties in proportion to actual balances of each entity. Complete financial information for CalTIP is available at 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The Authority has been covered for excess worker’s compensation and employer’s liability through a pooled commercial insurance policy held by the Special District Risk Management Authority pool since July 1, 2002. The Authority pays a pro-rata share of the annual premiums. The Authority continues to carry commercial insurance for property loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

NOTE J – RELATED PARTY TRANSACTIONS

Certain members of the Authority’s Board of Directors are also members of the Board of Supervisors of the County of El Dorado, the City Council of the City of Placerville and El Dorado County Transportation Commission. During the years ended June 30, 2021 and 2020, the Authority had the following related party transactions:

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE J – RELATED PARTY TRANSACTIONS (Continued)

	2021	2020
City of Placerville:		
Bus shelter maintenance expense	\$ 1,650	\$ 1,320
Background checks	100	297
Western Placerville Interchange	185,549	
Upper Broadway	224,111	
	\$ 411,410	\$ 1,617
County of El Dorado:		
Health insurance	\$ 13,469	\$ 23,310
Accounts payable due to County of El Dorado	\$ 877	\$ 2,452
Accounts payable due to City of Placerville	\$ 275,030	\$ 88,392
Accounts payable due to El Dorado County Transportation Commission	\$ -	\$ 1,625

NOTE K – CONCENTRATIONS

The Authority receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund created by the Transportation Development Act. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Authority’s activities.

NOTE L – CONTINGENCIES

The Authority receives funding for specific purposes that are subject to review and audit by the granting agencies of the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such audits.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The extent of the impact of COVID-19 on the Authority’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on the citizens of El Dorado County, all of which are uncertain and cannot be predicted. Per management, fare collection was suspended from April 2020 through July 2020 due to COVID-19 and CARES Act funding was received to help cover shortfalls in 2020. At this point, the full extent to which COVID-19 may impact the financial condition or results of operations is uncertain. Possible effects could be a loss or reduction of revenue sources.

NOTE M – RESTATEMENT

The Agency discovered during 2021 that grant revenues were not properly recognized in the fiscal year the qualifying expenditures were incurred in fiscal year 2019. Corrections were made in the current year, which resulted in due from other governments increasing by \$172,726, unearned revenue decreasing by \$77,274 and net position increasing by \$250,000 at June 30, 2020. Net position as of July 1, 2019 was increased by \$250,000 as a result of these corrections.

REQUIRED SUPPLEMENTARY INFORMATION

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EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.08395%	0.08084%	0.07830%	0.07801%	0.07525%	0.07506%	0.08214%
Proportionate share of the net pension liability	\$ 3,541,021	\$ 3,237,285	\$ 2,950,847	\$ 3,075,371	\$ 2,614,209	\$ 2,059,218	\$ 2,030,067
Covered payroll - measurement period	\$ 3,242,161	\$ 3,210,246	\$ 3,211,654	\$ 2,918,283	\$ 2,715,385	\$ 2,337,069	\$ 2,239,465
Proportionate share of the net pension liability as a percentage of covered payroll	109.22%	100.84%	91.88%	105.38%	96.27%	88.11%	90.65%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	78.86%	79.15%	78.02%	75.57%	78.40%	79.82%

Notes to Schedule:

Reporting valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014 as they have minimal cost impact.

Changes in assumptions: The discount rate change from 7.50% in 2015 to 7.65% in 2016 and 2017 and 7.15% in 2018 valuation.

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN - MISCELLANEOUS PLAN (UNAUDITED)
Last 10 Years

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 614,552	\$ 531,657	\$ 487,574	\$ 438,662	\$ 396,093	\$ 362,047	\$ 325,550
Contributions in relation to the actuarially determined contributions	(614,552)	(531,657)	(487,574)	(438,662)	(396,093)	(362,047)	(325,550)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - employer fiscal year	\$ 2,518,395	\$ 3,242,161	\$ 3,210,246	\$ 3,211,654	\$ 2,918,283	\$ 2,715,385	\$ 2,337,069
Contributions as a percentage of covered payroll	24.40%	16.40%	15.19%	13.66%	13.57%	13.33%	13.93%

Notes to Schedule:

Contribution valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method						
Amortization method	Level percentage of payroll, closed						
Remaining amortization period	Varies by rate plan, but not more than 30 years						
Asset valuation method	Market value						
Inflation	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases	Varies by entry age and service						
Investment rate of return and discount rate	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%	7.50%
Retirement age	50 to 67 years. Probabilities of retirement are based on the most recent CalPERS Experience Study.						
Mortality	Most recent CalPERS experience study						

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date. Future years will be reported prospectively as they become available.

EL DORADO COUNTY TRANSIT AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)
Last 10 Years

	2021	2020	2019	2018
<u>Total OPEB liability</u>				
Service cost	\$ 36,650	\$ 43,360	\$ 39,599	\$ 31,222
Interest	39,457	39,626	34,753	33,711
Differences between expected and actual experience				(14,513)
Changes in assumptions		(60,570)	20,288	(40,263)
Changes in benefit terms				
Plan experience		7,259		
Benefit payments	(26,817)	(7,384)	(3,872)	(4,550)
Net change in total OPEB liability	49,290	22,291	90,768	5,607
Total OPEB liability - beginning	552,779	530,488	439,720	434,113
Total OPEB liability - ending (a)	<u>\$ 602,069</u>	<u>\$ 552,779</u>	<u>\$ 530,488</u>	<u>\$ 439,720</u>
<u>Plan fiduciary net position</u>				
Contributions - employer	\$ 76,385	\$ 64,791	\$ 59,503	\$ 55,642
Net investment income	29,928	25,158	20,795	19,606
Investment experience	(8,606)	(3,591)	(689)	
Benefit payments	(26,817)	(7,384)	(3,872)	(4,550)
Administrative and other expenses	(208)	(74)	(480)	(102)
Net change in plan fiduciary net position	70,682	78,900	75,257	70,596
Plan fiduciary net position - beginning	412,221	333,321	258,064	187,468
Plan fiduciary net position - ending (b)	<u>\$ 482,903</u>	<u>\$ 412,221</u>	<u>\$ 333,321</u>	<u>\$ 258,064</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 119,166</u>	<u>\$ 140,558</u>	<u>\$ 197,167</u>	<u>\$ 181,656</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>80.21%</u>	<u>74.57%</u>	<u>62.83%</u>	<u>58.69%</u>
Covered-employee payroll - measurement period	<u>\$ 1,608,842</u>	<u>\$ 1,525,472</u>	<u>\$ 1,472,288</u>	<u>\$ 1,670,014</u>
Net OPEB liability as percentage of covered-employee payroll	<u>7.41%</u>	<u>9.21%</u>	<u>13.39%</u>	<u>10.88%</u>
Notes to schedule:				
Valuation date	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2017
Measurement period - fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Changes in assumptions:				
Discount rate changes:	6.85%	6.85%	6.95%	7.28%

Other changes: In 2020, assumptions were revised to use the 2017 CalPERS Experience Study, the excise tax on high cost plans was removed, spousal coverage assumption was changed from 80% to 60% and future PEMHCA Minimum Employer Contribution increase assumption was changed from 4.5% to 4%.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

EL DORADO COUNTY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)
Last 10 Years

	2021	2020	2019	2018
Actuarially determined contribution - employer fiscal year	\$ 51,022	\$ 49,568	\$ 57,407	\$ 55,631
Contributions in relation to the actuarially determined contributions	<u>(83,998)</u>	<u>(76,385)</u>	<u>(64,791)</u>	<u>(59,503)</u>
Contribution deficiency (excess)	<u>\$ (32,976)</u>	<u>\$ (26,817)</u>	<u>\$ (7,384)</u>	<u>\$ (3,872)</u>
Covered-employee payroll - employer fiscal year	\$ 1,431,245	\$ 1,608,842	\$ 1,525,472	\$ 1,472,288
Contributions as a percentage of covered-employee payroll	5.87%	4.75%	4.25%	4.04%

Notes to Schedule:

Valuation date	June 30, 2019	June 30, 2019	July 1, 2017	July 1, 2017
Measurement period - fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method		Entry-age normal cost method		
Amortization method		Level percentage of payroll		
Amortization period	19 years	20 years	21 years	22 years
Asset valuation method		Market value of assets		
Inflation	2.75%	2.75%	2.75%	3.00%
Healthcare cost trend rates	6.50% in 2021 to 5% in 2024 and thereafter	6.50% in 2021 to 5% in 2024 and thereafter	7.50% in 2019 to 5% in 2024 and thereafter	7.5% in 2018 to 5% in 2024 and thereafter
Salary increases	3.25%	3.25%	3.25%	3.25%
Investment rate of return	6.85%	6.85%	7.28%	7.28%
Retirement age		50-75 years		
Mortality/Mortality improvement	CalPERS 2017 Experience Study	CalPERS 2017 Experience Study	CalPERS 2014 Experience Study	CalPERS 2014 Experience Study
	Projected with MW Scale 2018	Projected with MW Scale 2018	Projected with MW Scale 2017	Projected with MW Scale 2017

Note: Contributions in relation to actuarially required contributions for 2019 and 2018 were revised in 2020 to include implied subsidy payments as indicated in 2020 actuary report.

SCHEDULE OF INVESTMENT RETURNS (UNAUDITED)

	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	27.47%	3.60%	11.56%	7.00%

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

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SUPPLEMENTARY INFORMATION

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EL DORADO COUNTY TRANSIT AUTHORITY

SCHEDULES OF OPERATING EXPENSES

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING EXPENSES		
Salaries and wages	\$ 2,836,699	\$ 3,533,243
Employee benefits	1,913,488	1,968,072
General liability insurance	641,489	610,770
Fuel and lubricants	341,674	555,291
Office expense	220,834	215,350
Vehicle maintenance	213,425	522,419
Worker's compensation insurance	210,138	152,375
Professional services	171,414	219,153
Payroll taxes	116,993	54,442
Safety equipment/training	87,307	53,857
Utilities	65,235	63,281
Communications	33,265	30,954
Equipment rents/leases	18,851	59,345
Household supplies	16,067	16,042
Staff development and training	11,346	11,841
Uniforms	10,178	14,131
Membership and publications	6,028	6,511
Small tools and equipment	5,555	6,315
Miscellaneous	4,024	9,273
Demonstration projects	3,116	
Special department expense	2,740	2,970
	<u>6,929,866</u>	<u>8,105,635</u>
TOTAL OPERATING EXPENSES	<u>\$ 6,929,866</u>	<u>\$ 8,105,635</u>

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COMPLIANCE REPORTS

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

To the Board of Directors
El Dorado County Transit Authority
Diamond Springs, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the El Dorado County Transit Authority (the Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 17, 2021.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify a deficiency in internal control described as finding 2021-001 in the schedule of findings and questioned costs that we consider to be a significant deficiency.

To the Board of Directors
El Dorado County Transit Authority

Compliance and Other Matters (including other State program guidelines)

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 determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act Funds allocated and received by the Authority were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act, Section 6667 of the California Code of Regulations and other State guidelines. We also tested the receipt and appropriate expenditure of other State grant funds, as presented in Note E of the financial statements, in accordance with State grant programs statutes and guidelines. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*, the TDA or State grant programs guidelines.

The Authority’s Response to Findings

The Authority’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the TDA and State grant programs in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 17, 2021



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

El Dorado County Transit Authority
Diamond Springs, California

Report on Compliance for Each Major Federal Program

We have audited the El Dorado County Transit Authority's, (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

To the Board of Directors
El Dorado County Transit Authority

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described as finding 2021-001 to be a significant deficiency.

The Authority's Response to Findings

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Richardson & Company, LLP

November 17, 2021

EL DORADO COUNTY TRANSIT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2021

A. SUMMARY OF AUDIT RESULTS

<u>Financial Statements</u>	<u>Summary of Auditor's Results</u>
1. Type of auditor's report issued:	Unmodified opinion
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No
 <u>Federal Awards</u>	
4. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	None reported
5. Type of auditor's report issued on compliance for major programs:	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes
7. Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.526 & 20.507	Federal Transit Cluster
20.509	Formula Grants for Rural Areas
8. Dollar Threshold used to distinguish between Type A and Type B programs?	\$ 750,000
9. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)?	Yes

(Continued)

EL DORADO COUNTY TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended June 30, 2021

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2021-001: See this finding described under the CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM – INTERNAL CONTROL OVER COMPLIANCE section below.

C. CURRENT YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding 2021-001: Significant Deficiency – Schedule of Expenditures of Federal Awards (SEFA).

CFDA: 20.507 & 20.526

Federal Grantor: U.S. Department of Transportation, Federal Transportation Administration

Passed-through: California Department of Transportation & Sacramento Regional Transit

Pass-through Grantor's No.: CA-2018-106, CA-2019-154, CA-2020-250 & pending.

Compliance Requirement: Reporting

Condition: The expenses reported on the Schedule of Expenditures of Federal Awards (SEFA) were revised during the single audit as well as grant numbers, and CFDA numbers.

Criteria: Internal controls should be in place that provide reasonable assurance that the SEFA is complete and accurate.

Cause: The SEFA was not fully reconciled and finalized until after the single audit began and grant expenses incurred after June 30, 2021 were included on the SEFA as well as prior year revenue not claimed or reported causing a prior period adjustment, amounts were transposed and incorrect CFDA numbers and grant numbers were used.

Effect: The expenses included on the SEFA were revised during the audit, which resulted in a prior period adjustment and could have resulted in the auditor not selecting the correct program for testing during the single audit and could have resulted in the single audit not satisfying the requirements of the Uniform Guidance.

Context: A 2019 grant was not recognized in the year the qualified expenses were incurred, unexpended grant revenue was included on the SEFA. These issues were identified when comparing federal grant revenue on the SEFA to the general ledger and grant files. There were also clerical errors in the CFDA number, grant numbers, and dollar amounts were transposed.

Identification of Repeat Findings: This finding is a repeat of finding 2020-001.

Recommendation: We recommend a grant tracking spreadsheet and additional review procedures be implemented, and reconciliation of the SEFA to the GL to ensure the expenses, CFDA numbers, grant numbers reported on the SEFA are complete and accurate when the single audit begins.

EL DORADO COUNTY TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2021

PRIOR YEAR FINDINGS

Finding 2020-001: Significant Deficiency – Schedule of Expenditures of Federal Awards (SEFA).

CFDA: 20.513

Federal Grantor: U.S. Department of Transportation, Federal Transportation Administration

Passed-through: California Department of Transportation

Pass-through Grantor's No.: 64AC18-0615.

Compliance Requirement: Reporting

Condition: The expenses reported on the Schedule of Expenditures of Federal Awards (SEFA) were revised during the single audit.

Recommendation: We recommend additional review procedures be implemented to ensure the expenses reported on the SEFA are complete and accurate when the single audit begins.

Current Status: Similar issues were noted in the June 30, 2021 audit. See finding 2021-001.

EL DORADO COUNTY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors' Number</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Transit Administration			
Passed through the Sacramento Area Council of Governments and the Sacramento Regional Transit District			
Federal Transit Formula Grants, Section 5307			
Preventative Maintenance	20.507	CA-2019-154	\$ 250,000
Preventative Maintenance	20.507	Pending	43,520
Federal Transit Administration			
Passed through the California Department of Transportation			
Federal Transit Formula Grants, Section 5339			
Vehicle Replacement Grant	20.526	CA-2019-154	1,163,513
Federal Transit Formula Grants, Section 5307			
Vehicle Replacement Grant	20.526	CA-2020-250	192,234
Vehicle Replacement Grant	20.526	CA-2018-106	196,253
Federal Transit Administration			
Passed through the California Department of Transportation			
Formula Grants for Rural Areas and Tribal Transit Program, Section 5311			
Operating Assistance Grant	20.509	Pending	558,840
CARES Act	20.509	64V020-01317	<u>1,081,553</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,485,913</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

EL DORADO COUNTY TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of El Dorado County Transit Authority under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Authority's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Authority's portion, may be more than shown.

NOTE D – NONCASH AWARDS

No noncash awards existed in the current year.

NOTE E – INDIRECT COSTS

The Authority did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

NOTE F – SUBRECIPIENTS

There were no subrecipients of the Authority's programs during the year ended June 30, 2021.



CORRECTIVE ACTION PLAN

June 30, 2021

El Dorado County Transit Authority submits the following Corrective Action Plan for the year ended June 30, 2021. The finding from the June 30, 2021, Schedule of Findings and Questioned Costs (Schedule) for the Major Federal Program are discussed below. The finding number below is numbered consistently with the finding reported in the Schedule.

2021-001 - Reporting

Recommendation: We recommend a grant tracking spreadsheet and additional review procedures be implemented, and reconciliation of the SAFE to the GL to ensure the expenses, CFDA numbers, grant numbers reported on the SEFA are complete and accurate when single audit begins.

Corrective Action: The El Dorado County Transit Authority will develop a grant tracking process to closely monitor grant activity. An expanded process of reconciliation capital and grant related expenses to the GL by the Fiscal Technician II after final posting by the Finance Manager, will be implemented. A secondary review including all outstanding issues highlighted, will them be made by the outside CPA.

Person Responsible: Julie Petersen, Finance Manager

Phone Number: (530) 642-5383 ext. 206

Date Corrective Actions Will Be Completed: Implemented for the fiscal year 2021/22 financial and compliance audit.

El Dorado County Transit Authority

Finance Manager