MENDOCINO TRANSIT AUTHORITY

UKIAH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino Transit Authority
Ukiah, California

We have audited the accompanying basic financial statements of the business-type activities and the major fund of Mendocino Transit Authority as of June 30, 2020 and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Mendocino Transit Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Mendocino Transit Authority, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Mendocino Transit Authority's 2019 financial statements, and our report dated May 11, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

1101 FIFTH AVENUE, SUITE 360 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–6 and the required supplementary information on pages 23-24 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.

R.J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 24, 2021

This section of Mendocino Transit Authority's (the Authority's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2020. The Authority is a Joint Powers Authority entered into by the County of Mendocino and the four incorporated cities in the County. It administers transportation programs to the public with specialized services for seniors and the disabled. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's audited financial statements, which are comprised of the basic financial statements prepared in accordance with the accounting principles generally accepted in the United States of America.

The required financial statements include the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Fund Net Position; the Statement of Cash Flows, and the Notes to Basic Financial Statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Authority.

Statement of Net Position
This statement includes all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position"; this section of the statement identifies major categories of restrictions on these assets and reflects the overall financial position of the Authority as a whole.

Statement of Revenues, Expenses and Changes in Fund Net Position
This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenditures reported during this fiscal year may result in changes to cash flows in a future period.

Statement of Cash Flows
This statement reflects inflows and outflows of cash, summarized by operating non-capital financing and related financing, capital, and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to the Financial Statements
This additional information is essential to a full understanding of the data reported in the basic financial statements.

Analytical Overview

Table 1
Business-Type Net Position

	2020	2019	2018
Current assets	$ 3,287,983	$ 2,739,290	$ 3,632,935
Capital assets	9,687,561	10,397,496	11,118,758
Total assets	12,975,544	13,136,786	14,751,693
Deferred outflows of resources	717,349	705,833	701,870
Current liabilities	2,075,312	1,054,453	1,349,703
Long-term liabilities	1,797,406	1,563,664	1,527,654
Total liabilities	3,872,718	2,618,117	2,877,357
Deferred inflows of resources	181,311	148,130	176,255
Net position			
Invested in capital assets	9,687,561	10,397,496	11,118,758
Unrestricted	(1,401,553)	(687,971)	61,872
Restricted	1,352,856	1,366,847	1,219,321
Total net position	$ 9,638,864	$ 11,076,372	$ 12,399,951

The Authority's governmental net position amounted to $9,638,864 as of June 30, 2020, a decrease of $1,437,508 from 2019. This decrease in the Change in Net Position is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position. The Authority's net position as of June 30, 2020 comprised the following:

- Cash and investments of $2,137,126 held with the Mendocino County Treasury.
- Other assets comprised accounts receivables of $138,112, grants receivables of $919,228, inventory items of $70,495 and prepaid items of $23,024.
- Capital assets of $9,687,561, net of depreciation charges, which include all the Authority's capital assets.
- Accounts payable of $320,038.
- Other liabilities comprise deferred revenue of $1,307,029, compensated absences of $212,820, an accrued liability for self-insurance of $235,425 and net pension liability of $1,797,406.
- Net position invested in capital assets of $9,687,561, representing the Authority's investment in capital assets.
- Restricted net position totaling $1,352,856 may only be used for specialized transportation program services.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations and capital without constraints established by debt covenants or other legal requirements or restrictions. The Authority had $(1,401,553) of unrestricted net position as of June 30, 2020.

Comparative Analysis of Current and Prior Year Activities and Balances

Table 2
Changes in Net Position

	6/30/20	6/30/19	6/30/18	Increase (Decrease) between 2020-2019	
Operating revenues	$ 709,472	$ 957,692	$ 951,502	$ (248,220)	Note 1
Operating expenses	6,726,939	6,971,989	6,397,857	(245,050)	Note 2
Net operating income	$ (6,017,467)	$ (6,014,297)	$ (5,446,355)	$ (3,170)	
Non-operating revenues (expenses)	$ 4,579,959	$ 4,690,718	$ 4,705,905	$ (110,759)	Note 3

As Table 2 above shows, $709,472, or 14% of the Authority's fiscal year 2020 revenue, came from operating revenues which consisted of fares, contract services, charters, advertisements, and Sonoma County participation, and $4,539,181, or 86%, came from non-operating revenues such as local transportation funds, capital grants and planning grants.

Note 1 - The decrease in operating revenues is related to the decrease in fares.

Note 2 - This decrease in operating expenses relates to decrease associated with administration and transportation costs.

Note 3 - The non-operating revenues (expenses) decrease was related to a decrease in capital grants.

Capital Assets

As of June 30, 2020, the Authority's investment in capital assets was $9,687,561 (net of accumulated depreciation). The Authority added (net of dispositions) $357,922 of facilities, vehicles and equipment in fiscal year 2020. Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements.

Debt Administration

The Authority does not utilize long-term debt to fund operations or growth.

Economic Outlook and Major Initiatives

Financial planning is based on specific assumptions from recent trends, State of California economic forecasts and historical growth patterns in the communities served by the Authority.

The economic condition of the Authority as it appears on the balance sheet reflects financial stability. The Authority will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality of service to the citizens of the area.

Contacting the Authority's Financial Management

This set of Basic Financial Statements is intended to provide citizens, taxpayers, and creditors with a general overview of the Authority's finances. Questions about this report should be directed to Mendocino Transit Authority, 241 Plant Road, Ukiah CA 95482.

Mendocino Transit Authority

STATEMENTS OF NET POSITION

Proprietary Fund - Enterprise

June 30, 2020

(With Comparative Totals as of June 30, 2019)

ASSETS	2020	2019
Current assets:		
Cash and investments	$ 784,270	$ 360,579
Restricted cash and investments	1,352,856	1,366,847
Accounts receivable	138,112	193,905
Grants receivable	919,228	696,482
Inventories	70,495	72,642
Prepaid items	23,022	48,835
Total current assets	3,287,983	2,739,290
Capital assets:		
Non-depreciable	360,782	360,782
Depreciable, net of accumulated depreciation	9,326,779	10,036,714
Total assets	12,975,544	13,136,786
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	717,349	705,833
LIABILITIES		
Current liabilities:		
Accounts payable	320,038	124,414
Contracts payable	-	56,269
Deferred revenue	1,307,029	440,538
Compensated absences	212,820	227,519
Accrued liability for self-insurance	235,425	205,713
Total current liabilities	2,075,312	1,054,453
Long-term liabilities:		
Net pension liability	1,797,406	1,563,664
Total liabilities	3,872,718	2,618,117
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	181,311	148,130
NET POSITION		
Invested in capital assets	9,687,561	10,397,496
Restricted for specialized services	1,352,856	1,366,847
Unrestricted	(1,401,553)	(687,971)
Total net position	$ 9,638,864	$ 11,076,372

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

Mendocino Transit Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Proprietary Fund - Enterprise

For the Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Operating revenues:		
Fares	$ 414,816	$ 590,096
Nonpublic service contract	58,757	66,929
Advertisement	112,304	128,467
Sonoma County participation	123,595	172,200
Total revenues	709,472	957,692
Operating expenses:		
Transportation	3,350,413	3,214,453
Transportation - specialized	36,441	1,221
Maintenance	666,028	642,341
Administrative and overhead	1,249,403	1,350,743
Capital asset	20,044	287,806
Other unallocated	336,752	366,683
Depreciation	1,067,858	1,108,742
Total operating expenses	6,726,939	6,971,989
Operating income (loss)	(6,017,467)	(6,014,297)
Non-operating revenues (expenses):		
Local transportation fund	2,993,123	2,661,288
Local transportation fund - specialized	26,500	489,538
State transit assistance	946,179	300,000
Operating grants	411,101	814,989
Capital grants	-	278,925
Planning grants	79,311	68,000
Senior center revenue	-	-
CalOES	21,950	
Interest income	12,315	4,261
Other income	48,413	1,160
Maintenance labor	41,067	72,557
Total non-operating revenues (expenses)	4,579,959	4,690,718
Change in net position	(1,437,508)	(1,323,579)
Net position - beginning of period	11,076,372	12,399,951
Net position - end of period	$ 9,638,864	$ 11,076,372

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

Mendocino Transit Authority
STATEMENTS OF CASH FLOWS
Proprietary Fund - Enterprise
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Receipts from customers	$ 709,472	$ 957,692
Payments to suppliers	(389,012)	(2,201,736)
Payments to employees	(3,909,575)	(3,960,943)
Net cash provided (used) by operating activities	(3,589,115)	(5,204,987)
Cash flows from noncapital financing activities:		
Local transportation funds	2,963,354	3,207,095
Operating grants	266,099	1,412,702
State transit assistance	946,179	300,000
Planning grants	79,311	68,000
Other income	48,413	1,160
Maintenance labor	41,067	72,557
Net cash provided (used) by noncapital financing activities	4,344,423	5,061,514
Cash flows from capital and related financing activities:		
Senior center capital outlay	-	278,925
Purchase of fixed assets	(357,923)	(387,479)
Net cash provided (used) by capital and related financing activities	(357,923)	(108,554)
Cash flows from investing activities:		
Interest earned	12,315	4,261
Net cash provided by investing activities	12,315	4,261
Net increase (decrease) in cash and cash equivalents	409,700	(247,766)
Cash and cash equivalents - beginning of period	1,727,426	1,975,192
Cash and cash equivalents - end of period	$ 2,137,126	$ 1,727,426
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	$ (6,017,467)	$ (6,014,297)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,067,858	1,108,742
Changes in certain assets and liabilities:		
Inventories	2,147	32,838
Prepaid costs	25,813	15,328
Deferred revenue	866,491	23,423
Accounts payable and accruals	195,623	(328,427)
Accrued liability for self insurance	29,712	(43,484)
Deferred outflows	(11,516)	(3,963)
Deferred inflows	33,181	(28,125)
Net pension liability	233,742	36,010
Compensated absences	(14,699)	(3,032)
Total adjustments	2,428,352	809,310
Net cash provided (used) by operating activities	$ (3,589,115)	$ (5,204,987)
Cash and investments	$ 784,270	$ 360,579
Restricted cash and investments with fiscal agent	1,352,856	1,366,847
Total cash and cash equivalents	$ 2,137,126	$ 1,727,426

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

NOTE 1 - ORGANIZATION

A. Reporting Entity

Mendocino Transit Authority (the Authority) was formed as a pilot project in January 1975, through a Joint Powers Agreement entered into by the County of Mendocino (the County) and the four incorporated cities in the County. In April 1976, the Authority began the pilot program with five 23-passenger buses and on July 1, 1979 was established as a permanent program through a new Joint Powers Agreement. The Authority also administers five senior transportation programs that can be open to the public, but with priority for seniors and handicapped. The Specialized Transportation Services and the General Public Transportation Services are accounted for as separate operating branches of the Authority due to their different fare ratio requirements and methods of providing services. The Specialized Transportation Services are provided under contracts, while the General Public Transportation is a transit operation.

In accordance with Section 6680 of Article 7 of the Transportation Development Act, the Authority has been designated Consolidated Transportation Service Agency by Mendocino Council of Governments in accordance with the action plan adopted pursuant to Section 15975 of the Government Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The activities of the Authority are accounted for as a Proprietary Fund. Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. The Authority may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Authority's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

B. Use of Estimates

The basic financial statements have been prepared in conformity with U.S. generally accepted accounting principles, and as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

Cash and cash equivalents with an original maturity of 90 days or less are used in preparing the statement of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Inventory

Inventory represents vehicle parts and various related materials that have been stated at cost determined by the first-in, first-out method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

E. Prepaid Costs

Prepaid costs are calculated and adjusted at year-end to properly charge funds in the period benefited.

F. Capital Assets

Property and equipment are recorded at historical cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets of 1 to 30 years. Depreciation expense was $1,067,858 for the year ended June 30, 2020. All capital assets over $1,000 and with a useful life of more than one year are capitalized.

G. Compensated Absences

Vacation: Employees accrue vacation at the rate of 1 hour for every 26 hours worked. The accrual increases to 1 hour for every 17.33 hours after four years of service, and 1 hour for every 13 hours after seven years of service. Employees become eligible for vacation benefits after they have completed six months of employment.

Sick Leave: Employees accrue sick leave at the rate of 1 hour for every 20 hours worked, and become eligible for sick leave benefits after they have completed three months of employment. Employees may receive additional pay or vacation time for sick leave accruals in excess of 96 hours, at the rate of 25% of the amount converted.

The full value of accrued vacation was $142,684 at June 30, 2020, and 25% of the value of accrued sick leave was $70,136 at June 30, 2020, and are recorded by the Authority as a liability. The total compensated absences liability was $212,820 at June 30, 2020.

H. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of accounts payable and payroll related accruals.

I. Net Position

The Authority reports information regarding its net position and activities according to three classes of net position: invested in capital assets, restricted and unrestricted. A description is as follows:

Invested in Capital Assets: This amount consists of capital assets net of accumulated depreciation.

Restricted: The portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the Authority cannot unilaterally alter. These principally include funds received for specialized service contracts.

Unrestricted: The portion of net position that is not restricted from use.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Vehicle Replacement Reserve

The Mendocino Council of Governments maintains vehicle and non-vehicle replacement reserve funds for the benefit of the Authority. The fund balance on June 30, 2019 was $681,819.

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the Authority recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Authority that is applicable to a future reporting period.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2020 consist of the following:

Specialized Services	$	229,763
County of Mendocino		1,285,370
Cash deposit with banks		621,493
Petty cash		500
Total	$	2,137,126

The Authority maintains a cash and investment pool with the County. The County allocates interest to the various funds based upon the average monthly cash balances.

Credit Risk, Carrying Amount and Market Value of Investments
The Authority maintains specific cash deposits with the County and participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make.

NOTE 3 - CASH AND INVESTMENTS (concluded)

Furthermore, the County Treasurer has a written investment policy approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee that performs regulatory oversight for its pool, as required by California Government Code Section 27134.

The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2020, the Authority's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the Authority's name and is placed ahead of general creditors of the institution. The Authority has waived collateral requirements for the portion of deposits covered by federal depository insurance.

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Local Agency Investment Fund (LAIF) was unrated at June 30, 2020.

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments that are required to be disclosed.

The Authority, whose investments are held by the County, is a voluntary participant in the LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements and amounts are 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.

Fair Value Reporting - Investments

The Authority categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. These levels are determined by the Authority's investment manager based on a review of the investment class, structure and what kind of securities are held in the portfolio. The Authority's holdings are classified in Level 1 of the fair value hierarchy.

Restricted and Designated Cash and Equivalents

The Authority segregates certain cash and equivalents that have legal or Board of Director's designated restrictions as to their uses. The Authority is required under the terms of specialized service contracts to segregate and maintain certain funds. The balance of these funds at June 30, 2020 was $1,352,856.

NOTE 4 - CAPITAL ASSETS

Capital assets as of June 30, 2020 consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Land (not depreciated)	$ 360,782	$ -	$ -	$ 360,782
Facility	9,792,763	30,459	-	9,823,222
Staff vehicles	330,017	-	-	330,017
Radios, fare boxes, steps	913,800	95,068	-	1,008,868
Garage equipment	246,021	-	-	246,021
Shelters	519,209	7,517	-	526,726
Office equipment	391,615	13,263	6,810	398,068
Revenue vehicles	8,120,514	211,615	-	8,332,129
Subtotal	20,674,721	$ 357,922	$ 6,810	21,025,833
Accumulated depreciation	(10,277,225)			(11,338,273)
Net book value	$ 10,397,496			$ 9,687,561

Depreciation expense for the year ended June 30, 2020 was $1,067,858.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description
All qualified permanent and probationary employees are eligible to participate in the Authority's following cost-sharing multiple employer defined benefit pension plans (Plans):

- Authority Miscellaneous

The Plans are administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

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

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

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

	Authority Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 – 60	52 - 67
Monthly benefits, as a % of eligible compensations	2.0% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.244%
Required employer contribution rates	6.7097%	6.237%

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 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 contribution rate of employees.

For the year ended June 30, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions - employer	$305,721

As of June 30, 2020, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 1,797,406

The Authority's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Authority's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2018 was as follows:

Authority's Miscellaneous Plan	Miscellaneous
Proportion - June 30, 2018	.01623%
Proportion - June 30, 2019	.01754%
Change – Increase (Decrease)	.000131%

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2020, the Authority recognized pension expense of $258,298. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 305,721	$ -
Differences between actual and expected experience	124,837	9,672
Changes in assumptions	85,709	30,383
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	201,082	-
Difference between the employer's contributions and the employer's proportionate share of contributions.	-	109,832
Net differences between projected and actual earnings on plan investments	-	31,424
Total	$ 717,349	$ 181,311

The $305,721 amount reported as deferred outflows of resources related to contributions, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	$ 182,377
2022	21,879
2023	19,710
2024	(14,064)
2025	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

	All Plans[2]
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% [1]
Mortality	Derived using CalPERS Membership Data for all Funds [2]

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

(1) Net of pension plan investment expenses, including inflation.
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of Society of Actuaries Scale MP. For more details on this table, please refer to the CalPERS 2018 experience study report available on CalPERS website.

Change of Assumptions
GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.15 percent used for the June 30, 2018 measurement date was net of administrative expenses. The discount rate of 7.15 percent used for the June 30, 2018 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2017 measurement date were the same as those used for the June 30, 2018 measurement date.

Discount Rate
The discount rate used to measure the total pension liability was 7.15% for each Plan. 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 ran out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent 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.

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

NOTE 5 - DEFINED BENEFIT PENSION PLAN (concluded)

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

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 each Plan, calculated using the discount rate for each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.15%
Net Pension Liability	$3,160,956
Current Discount Rate	7.15%
Net Pension Liability	$1,797,406
1% Increase	8.15%
Net Pension Liability	$671,892

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

NOTE 6 - DEFINED CONTRIBUTION PLAN

Defined contributions as of June 30, 2020 consist of the following:

CalPERS 457	$	60,022
		-
Total	$	60,022

These plans covering all employees are a defined contribution plan that is also a deferred compensation plan established under the provisions of the Internal Revenue Code Section 457. Contributions to the plan are withdrawn before tax and the Authority will match up to 3% of the annual employee salary. Vesting is 100% immediate for both the employer and employee contributions.

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

NOTE 7 - OPERATING LEASES

The Authority has entered into several operating leases, as lessee. The leases are primarily for office space, parking and areas for loading of passengers. Lease terms are all month-to-month at this time. None of these leases have non-cancelable lease terms, provisions for contingent rentals, purchase options, or unusual restrictions. Renewals of leases are negotiated with the lessor when appropriate.

NOTE 8 - CONTINGENCIES

The Authority receives revenue from Federal, State and Local agencies that have requirements to be followed when expending these revenues. If the requirements are not followed, the unauthorized expenditures would be a liability to be refunded to the appropriate agency. The Authority is involved in various claims and litigation arising in the ordinary course of business. Authority management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the Authority's financial position or results of operations.

NOTE 9 - DEFERRED REVENUE

Deferred revenue at June 30, 2020 consisted of $702,347 federal section 5311 grants. The balance of the deferred revenue consists of $407,334 in the Low Carbon Transit Operations Program, $26,809 in CAL-OES capital income and $170,539 in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTIMSEA). The total at June 30, 2020 was $1,307,029.

NOTE 10 - FARE REVENUE RATIO

The Authority is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the year ended June 30, 2020, is as follows:

Fare revenues	$ 414,816
Operating expenses	$ 6,726,939
Less: depreciation	1,067,858
Less: cost of specialized services	36,441
Less: contract and charter services, senior administration, maintenance labor and mobility management	-
Total	$ 5,622,640
Fare revenue ratio	7.4%

The Authority has not met the required farebox revenue ratio. In response to the COVID-19 pandemic crisis relief measures have been put in place for transit agencies statewide. The following TDA regulations have been temporarily eliminated and noted for reference purposes only. The TDA regulations allow a grace year for the first year an operator does not meet the required farebox revenue ratio. The second year the ratio is not met is the noncompliance year. Failure to meet the ratio during these two years does not result in any penalties to the Authority. However, if the Authority does not meet the required ratio for a third year (determination year) the Authority would be subjected to reduced funding in the fourth year (penalty year). Funding for the fourth year would be reduced by the difference between the required 10 percent farebox ratio revenue amount and the actual farebox revenues received, per Section 6633.9 of the TDA. The amount of reduced TDA funding, if any, cannot be determined at this time.

NOTE 11 - RISK MANAGEMENT

The Authority manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The Authority maintains insurance coverage from a commercial carrier for its Garage Keepers Insurance, Commercial Property and Inland Marine coverage.

Public entity risk pools are formally organized, and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities.

Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the Authority's responsibility.

Risk Coverage

The Authority is a member of the California Transit Insurance Pool (CALTIP), which covers liability and vehicle damage claims up to $5,000,000. The Authority has a self-insured retention or deductible of $5,000 on physical damage and $25,000 on liability per claim. Once the Authority's self-insured retention for claims is met, CALTIP becomes responsible for payment of all claims up to $1,000,000.

For claims above that amount, CALTIP purchases excess coverage up to $5,000,000. During the fiscal year ended June 30, 2020, the Authority contributed $207,610 for coverage.

The Authority is also a member of the Special District Risk Management Authority (SDRMA) Workers' Compensation Program, which covers workers' compensation claims up to $5,000,000.

The contributions made to the risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for the risk pools may be obtained from CALTIP, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833 and SDRMA, 1112 I Street, Suite 300, Sacramento, CA 95814.

Self-Insurance

The Authority maintains liability accounts for employee benefits and self-insurance reserves. The balances of these liabilities at June 30, 2020 are as follows:

	2020
Liability	$ 50,069
Vehicle damage	10,247
Employee benefits	155,040
Workers' compensation	8,123
Cafeteria plan	11,946
Total	$ 235,425

NOTE 11 - RISK MANAGEMENT (concluded)

Self-insurance for employee benefits includes unemployment insurance and an employees' cafeteria plan. Vehicle collision risks are partially self-insured by the Authority. Potential liability claims are insured by an insurance carrier, with a deductible of $25,000 per incident. Management believes there were sufficient reserves to fund these liabilities at June 30, 2020.

Each year the Authority budgets an amount to be set aside during the year for self-insurance costs, based on actuarial estimates and availability of funds. That amount is expended and accrued to a liability account during the year. Claims are then charged against the liability account, and any balance remaining at year end is carried forward to the next fiscal year.

The Authority's actuary estimate for the ultimate unpaid losses incurred for vehicle collision and deductible on liability insurance was derived from the June 30, 2019 valuation report. The fiscal year ending June 30, 2020 estimate was $60,316.

NOTE 12 - CONCENTRATION

The Authority receives a substantial amount of revenue from the Mendocino Council of Governments under the Transportation Development Act and State Transit Assistance. Transportation Development Act fund allocation is based on sales tax revenue. During the fiscal year ended June 30, 2020, the Authority received $3,019,623. This amounts to 58% of total revenue for the year.

NOTE 13 - 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.

In FY09/10, the Authority applied for PTMISEA funds for the construction phase of the Alternative Fuel Infrastructure Project, and in FY11/12 for vehicle procurement. As of June 30, 2020, the Authority has received a total of $4,370,369 in PTMISEA proceeds and related interest, of which qualifying expenditures totaled $4,370,369. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of encumbrance.

As of June 30, 2020, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance at June 30, 2019	$	170,539
PTMISEA received		-
Expenditures incurred:		
Transit buses		(-)
Unexpended proceeds at June 30, 2020	$	170,539

NOTE 14 - SUBSEQUENT EVENTS

Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, have declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Authority's operations includes restrictions on employees' and volunteers' ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

REQUIRED SUPPLEMENTAL INFORMATION

Mendocino Transit Authority

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

As of June 30, 2020

Last 6 Years

Schedule of the Proportionate Share of the Net Pension Liability (Measurement Date)	Miscellaneous Plan 2019	Miscellaneous Plan 2018	Miscellaneous Plan 2017	Miscellaneous Plan 2016	Miscellaneous Plan 2015	Miscellaneous Plan 2014
Proportion of the net pension liability	0.017540%	0.016230%	0.015404%	0.014549%	0.011889%	0.015799%
Proportionate share of the net pension liability	$ 1,797,406	$ 1,563,664	$ 1,527,654	$ 1,258,942	$ 816,711	$ 983,080
Covered - employee payroll	$ 2,546,696	$ 2,375,217	$ 2,154,914	$ 2,133,007	$ 2,119,045	$ 1,967,075
Proportionate share of the net pension liability as a percentage of covered-employee payroll	70.58%	65.83%	70.89%	59.02%	38.54%	49.98%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

NOTES TO SCHEDULE:

Fiscal year 2015 was the 1st year of implementation.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Mendocino Transit Authority
SCHEDULE OF CONTRIBUTIONS
As of June 30, 2020
Last 6 Years

SCHEDULE OF CONTRIBUTIONS Fiscal Year End	Miscellaneous Plan 2020	Miscellaneous Plan 2019	Miscellaneous Plan 2018	Miscellaneous Plan 2017	Miscellaneous Plan 2016	Miscellaneous Plan 2015
Contractually required contribution (actuarially determined)	$ 305,721	$ 254,376	$ 215,248	$ 184,327	$ 165,348	$ 164,914
Contributions in relation to the actuarially determined contributions	(254,376)	(254,376)	(215,264)	(184,327)	(165,348)	(164,914)
Contribution deficiency (excess)	$ 51,345	$ -	$ (16)	$ -	$ -	$ -
Covered-employee payroll during the fiscal year	$ 2,503,504	$ 2,546,696	$ 2,375,217	$ 2,154,914	$ 2,133,007	$ 1,919,529
Contributions as a percentage of covered-employee payroll	12.21%	9.99%	9.06%	8.55%	7.75%	8.59%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:
Fiscal year 2015 was the 1st year of implementation.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE LOCAL TRANSPORTATION COMMISSION

Board of Directors
Mendocino Transit Authority
Ukiah, California

We have audited the financial statements of the Transportation Development Act Funds of Mendocino Transit Authority as of and for the year ended June 30, 2020 and have issued a report thereon dated February 24, 2021.

As part of obtaining reasonable assurance about whether Mendocino Transit Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that expenditures paid by the Mendocino Transit Authority Transportation Development Act Funds were made in accordance with the allocation instructions and resolutions of the Mendocino Council of Governments and in conformance with the California Transportation Development Act. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 5554 and 6667 that are applicable to Mendocino Transit Authority's use of Transportation Development Act Funds. In connection with the audit, nothing came to our attention that caused us to believe that Mendocino Transit Authority failed to comply with the Statutes, Rules, and Regulations of the California Transportation Development Act and the allocation instructions and resolutions of Mendocino Council of Governments. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Board of Directors and management of Mendocino Transit Authority, the Board of Directors and management of Mendocino Council of Governments, the California Department of Transportation, and the State Controller's Office and should not be used by anyone other than these specified parties.

R.J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 24, 2021

1101 FIFTH AVENUE, SUITE 360 SAN RAFAEL, CA 94901 TEL (415) 457-1215 FAX (415) 457-6735 www.rjrcpa.com