MENDOCINO TRANSIT AUTHORITY

UKIAH, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2022

O'CONNOR & COMPANY

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O'CONNOR & COMPANY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino Transit Authority
Ukiah, California

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities and the major fund of the Mendocino Transit Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mendocino Transit Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of Mendocino Transit Authority, as of June 30, 2022, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mendocino Transit Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter
Implementation of New Accounting Standards
As discussed in Notes 1I and 6 to the financial statements, Mendocino Transit Authority implemented Governmental Accounting Standards Board Statement No. 87, *Leases,* which became effective for the year ended June 30, 2022 and had material effects on the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino Transit Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Unites States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the Unites States of America and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mendocino Transit Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mendocino Transit Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

<u>Other Matters</u>

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Report on Summarized Comparative Information

We have previously audited Mendocino Transit Authority's 2021 financial statements, and our report dated March 30, 2022, 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, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023 on our consideration of the Mendocino Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mendocino Transit Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in Mendocino Transit Authority's internal control over financial reporting and compliance.

O'Connor & Company

O'Connor & Company

San Rafael, California
March 28, 2023

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, 2022. 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

	2022	2021	2020
Current assets	$ 3,511,529	$ 3,480,387	$ 3,287,983
Capital assets	8,541,964	8,693,690	9,687,561
Total assets	12,053,493	12,174,077	12,975,544
Deferred outflows of resources	1,003,151	773,800	717,349
Current liabilities	1,102,382	1,353,569	2,075,312
Long-term liabilities	1,288,208	2,177,528	1,797,406
Total liabilities	2,300,590	3,531,097	3,872,718
Deferred inflows of resources	1,245,310	140,738	181,311
Net position			
Net investment in capital assets	8,496,814	8,693,690	9,687,561
Unrestricted	299,429	(553,872)	(1,401,553)
Restricted	714,501	1,136,224	1,352,856
Total net position	$ 9,510,744	$ 9,276,042	$ 9,638,864

The Authority's governmental net position amounted to $9,510,744 as of June 30, 2022, a increase of $234,702 from 2021. This increase 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, 2022 comprised the following:

- Cash and investments of $2,098,542 held with the Mendocino County Treasury.
- Other assets comprised accounts receivables of $64,485, grants receivables of $1,300,177, inventory items of $36,035 and prepaid items of $12,290.
- Capital assets of $8,496,814, net of depreciation charges, which include all the Authority's capital assets. Right to use assets, net of amortization charges of $45,150.
- Accounts payable of $183,386.
- Other liabilities comprise deferred revenue of $424,692, compensated absences of $235,618, an accrued liability for self-insurance of $163,895, lease liability of $45,687 and net pension liability of $1,247,312.
- Net investment in capital assets of $8,496,814, representing the Authority's investment in capital assets.
- Restricted net position totaling $714,501 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 $ 299,429 of unrestricted net position as of June 30, 2022.

Comparative Analysis of Current and Prior Year Activities and Balances

Table 2
Changes in Net Position

	6/30/22	6/30/21	6/30/20	Increase (Decrease) between 2021-2022	
Operating revenues	$ 583,634	$ 412,616	$ 709,472	$ 171,018	Note 1
Operating expenses	7,094,474	6,094,696	6,726,939	999,778	Note 2
Net operating income	$ (6,510,840)	$ (5,682,080)	$ (6,017,467)	$ (828,760)	
Non-operating revenues (expenses)	$ 6,745,542	$ 5,319,258	$ 4,579,959	$ 1,426,284	Note 3

As Table 2 above shows, $583,634, or 9% of the Authority's fiscal year 2022 revenue, came from operating revenues which consisted of fares, contract services, charters, advertisements, and Sonoma County participation, and $6,062,490, or 91%, came from non-operating revenues (expenses) such as local transportation funds, capital grants and planning grants.

Note 1 - The increase in operating revenues is related to the increase from the pandemic recovery.

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

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

Capital Assets

As of June 30, 2022, the Authority's investment in capital assets was $8,496,814 (net of accumulated depreciation). The Authority added $849,562 of facilities, vehicles, and equipment in fiscal year 2022. Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements. The Authority also added a right to use asset, net of accumulated amortization of $45,150.

Debt Administration

Information on the Authority's Long-term obligations can be found in Note 5 in the Notes to the Basic Financial Statements.

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 remains 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, 2022

(With Comparative Totals as of June 30, 2021)

ASSETS	2022	2021
Current assets:		
Cash and investments	$ 1,384,041	$ 1,507,299
Restricted cash and investments	714,501	1,136,224
Accounts receivable	64,485	55,163
Grants receivable	1,300,177	735,629
Inventories	36,035	20,393
Prepaid items	12,290	25,679
Total current assets	3,511,529	3,480,387
Capital assets:		
Non-depreciable	360,782	360,782
Right to use leased asset, net of accumulated amortizaton	45,150	-
Depreciable, net of accumulated depreciation	8,136,032	8,332,908
Total assets	12,053,493	12,174,077
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	1,003,151	773,800
LIABILITIES		
Current liabilities:		
Accounts payable	183,386	264,313
Deferred revenue	424,692	722,871
Compensated absences	235,618	208,106
Lease payable	4,791	-
Accrued liability for self-insurance	163,895	158,279
Total current liabilities	1,012,382	1,353,569
Long-term liabilities:		
Lease payable	40,896	-
Net pension liability	1,247,312	2,177,528
Total liabilities	2,300,590	3,531,097
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	1,245,310	140,738
NET POSITION		
Net investment in capital assets	8,496,814	8,693,690
Restricted for specialized services	714,501	1,136,224
Unrestricted	299,429	(553,872)
Total net position	$ 9,510,744	$ 9,276,042

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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Operating revenues:		
Fares	$ 222,929	$ 191,891
Nonpublic service contract	56,150	2,356
Advertisement	127,355	106,081
Sonoma County participation	177,200	112,288
Total revenues	583,634	412,616
Operating expenses:		
Transportation	4,714,188	2,065,533
Maintenance	874,913	843,152
Administrative and overhead	453,622	1,234,869
Other unallocated	-	889,750
Depreciation and amortization	1,051,751	1,061,392
Total operating expenses	7,094,474	6,094,696
Operating income (loss)	(6,510,840)	(5,682,080)
Non-operating revenues (expenses):		
Local transportation fund	3,434,291	2,993,124
Local transportation fund - specialized	621,224	26,005
State transit assistance	655,221	834,637
Operating grants	1,176,740	1,322,489
Planning grants	6,881	-
State of good repair	119,396	-
LCTOP	563,656	-
CalOES	-	26,809
Interest income	11,979	10,887
Interest expense	(1,321)	-
Other income	128,323	71,892
Maintenance labor	29,152	33,415
Total non-operating revenues (expenses)	6,745,542	5,319,258
Change in net position	234,702	(362,822)
Net position - beginning of period	9,276,042	9,638,864
Net position - end of period	$ 9,510,744	$ 9,276,042

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, 2022

(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Receipts from customers	$ 583,634	$ 412,616
Payments to suppliers	(2,575,387)	(2,028,086)
Payments to employees	(3,870,563)	(3,396,419)
Net cash provided (used) by operating activities	(5,862,316)	(5,011,889)
Cash flows from noncapital financing activities:		
Local transportation funds	4,055,515	3,019,129
Operating grants	602,870	1,615,846
State transit assistance	655,221	834,637
Planning grants	6,881	-
State of good repair	119,396	-
LCTOP	563,656	-
Other income	128,323	71,892
Maintenance labor	29,152	33,415
Net cash provided (used) by noncapital financing activities	6,161,014	5,574,919
Cash flows from capital and related financing activities:		
Lease proceeds	50,462	-
Purchase of right to use asset	(50,462)	-
Lease principal payments	(4,775)	-
Interest expense	(1,321)	-
Purchase of fixed assets	(849,562)	(67,520)
Net cash provided (used) by capital and related financing activities	(855,658)	(67,520)
Cash flows from investing activities:		
Interest earned	11,979	10,887
Net cash provided by investing activities	11,979	10,887
Net increase (decrease) in cash and cash equivalents	(544,981)	506,397
Cash and cash equivalents - beginning of period	2,643,523	2,137,126
Cash and cash equivalents - end of period	$ 2,098,542	$ 2,643,523
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	$ (6,510,840)	$ (5,682,080)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,051,751	1,061,392
Changes in certain assets and liabilities:		
Inventories	(15,642)	50,102
Prepaid costs	13,389	(2,657)
Deferred revenue	(298,179)	(584,158)
Accounts payable and accruals	(80,928)	(55,726)
Accrued liability for self insurance	5,616	(77,146)
Deferred outflows	(229,351)	(56,451)
Deferred inflows	1,104,572	(40,573)
Net pension liability	(930,216)	380,122
Compensated absences	27,512	(4,714)
Total adjustments	648,524	670,191
Net cash provided (used) by operating activities	$ (5,862,316)	$ (5,011,889)
Cash and investments	$ 1,384,041	$ 1,507,299
Restricted cash and investments with fiscal agent	714,501	1,136,224
Total cash and cash equivalents	$ 2,098,542	$ 2,643,523

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 Items

Prepaid items 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 $1,046,436 for the year ended June 30, 2022. 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 $154,272 at June 30, 2022, and 25% of the value of accrued sick leave was $81,346 at June 30, 2022, and are recorded by the Authority as a liability. The total compensated absences liability was $235,618 at June 30, 2022.

H. Accounts Payable and Accrued Expenses

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

I. Leases

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Leases (concluded)

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. If the District does not have an incremental borrowing rate the Authority uses the risk free 52-week treasury bill rate.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

J. 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:

Net Investment 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.

K. Vehicle Replacement Reserve

The Mendocino Council of Governments maintains vehicle and non-vehicle replacement reserve funds for the benefit of the Authority. The balance on June 30, 2022, was $705,462.

L. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. 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.

N. Contingencies

Subsequent events have been evaluated through the date the financial statements were available to be issued.

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 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2022 consist of the following:

Specialized Services	$ 248,258
County of Mendocino	1,472,628
Cash deposit with banks	377,538
Petty cash	118
Total	$ 2,098,542

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.

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.

NOTE 3 - CASH AND INVESTMENTS (concluded)

At June 30, 2022, 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.

Custodial Credit Risk
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, 2022.

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
GASB Statement No. 72, *Fair Value Measurements and Application*, establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, that can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs, and Level 3 inputs have the lowest priority and consist of unobservable inputs for an asset or liability.

The Authority's holdings are classified in Level 1 of the fair value hierarchy. The County Pool's holdings were an uncategorized input and not defined as a Level 1-3 input.

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, 2022 was $714,501.

NOTE 4 - CAPITAL ASSETS

Capital assets as of June 30, 2022 consist of the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Capital assets not being depreciated:				
Land	$ 360,782	$ -	$ -	$ 360,782
Construction in progress	38,408	-	38,408	-
Total capital assets not being depreciated	399,190	-	38,408	360,782
Capital assets being depreciated:				
Facility	9,840,334	49,294	-	9,889,628
Staff vehicles	330,017	82,357	58,429	353,945
Radios, fare boxes, steps	1,008,868	179,573	-	1,188,441
Garage equipment	246,021	-	-	246,021
Shelters	526,726	13,091	-	539,817
Office equipment	410,069	-	-	410,069
Revenue vehicles	8,332,129	563,655	527,064	8,368,720
Total capital assets being deprec.	20,694,164	887,970	585,493	20,996,641
Less accumulated depreciation:				
Facility	(3,573,224)	(314,503)	-	(3,887,727)
Staff vehicles	(311,489)	(26,204)	58,429	(279,264)
Radios, fare boxes, steps	(694,193)	(129,476)	-	(823,669)
Garage equipment	(239,151)	(5,044)	-	(244,195)
Shelters	(472,016)	(17,090)	-	(489,106)
Office equipment	(314,693)	(24,174)	-	(338,867)
Revenue vehicles	(6,794,898)	(529,945)	527,064	(6,797,781)
Total accumulated depreciation	(12,399,664)	(1,046,436)	585,493	(12,860,609)
Total capital assets being depreciated, net	8,294,500	(158,466)	-	8,136,032
Capital assets, net	$ 8,693,690	$ (158,466)	$ 38,408	$ 8,496,814

NOTE 5 - LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Beginning	Additions	Retirements	Balance	Due in one Year
Leases payable	$ -	$ 50,462	$ 4,775	$ 45,687	$ 4,791

NOTE 6 - LEASES

The Authority leases ground space with the City of Willits through December 31, 2031. The Authority uses the estimated incremental borrowing rate of 3%. The Authority has recorded a right to use asset with a net book value of $50,462 at June 30, 2022. Future minimum payments required under the above lease are as follows:

Year End June 30	Principal	Interest	Total
2023	$ 4,791	$ 1,305	$ 6,096
2024	4,937	1,159	6,096
2025	5,087	1,009	6,096
2026	5,242	854	6,096
2027	5,401	695	6,096
2028	5,565	531	6,096
2029	5,734	362	6,096
2030	5,909	187	6,096
2031	3,021	26	3,047
Totals	$ 45,687	$ 6,128	$ 51,815

NOTE 7 - 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, 2022, are summarized as follows:

NOTE 7 - 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, 2022, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions - employer	$315,229

As of June 30, 2022, 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	$ 1,247,312

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, 2021, 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, 2020. 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, 2021 and 2020 was as follows:

Authority's Miscellaneous Plan	Miscellaneous
Proportion - June 30, 2020	.02001%
Proportion - June 30, 2021	.02306%
Change – Increase (Decrease)	.00305%

For the year ended June 30, 2022, the Authority recognized pension expense of $323,175. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 378,170	$ -
Differences between actual and expected experience	139,872	-
Changes in assumptions	-	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	485,109	-
Difference between the employer's contributions and the employer's proportionate share of contributions.	-	156,473
Net differences between projected and actual earnings on plan investments	-	1,088,837
Total	$ 1,003,151	$ 1,245,310

The $378,170 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, 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2023	$ (57,761)
2024	(85,990)
2025	(175,680)
2026	(300,898)

Actuarial Assumptions

The total pension liabilities in the June 30, 2020 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.
Post-retirement benefit increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Changes of Assumptions
There were no changes of assumptions for measurement date June 30, 2021.

Discount Rate
The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10	Real Return Years 11+
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0%	1.00%	2.62%
Inflation assets	0.0%	0.77%	1.81%
Private equity	8.0%	6.30%	7.23%
Real assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%

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	$2,901,103
Current Discount Rate	7.15%
Net Pension Liability	$1,247,312
1% Increase	8.15%
Net Pension Liability	$(119,853)

NOTE 7 - DEFINED BENEFIT PENSION PLAN (concluded)

Expected Average Remaining Service Lives (EARSL)

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the Public Agency Cost-Sharing Multiple-Employer Plan (PERF C).

The EARSL for PERF C for the measurement period ending June 30, 2021, is 3.7 years, which was obtained by dividing the total service years of 561,622 (the sum of remaining service lifetimes of the active employees) by 150,648 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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 7 - DEFINED CONTRIBUTION PLAN

Defined contributions as of June 30, 2022 consist of the following:

CalPERS 457	$ 75,386

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 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2022 consisted of $254,153 in the Low Carbon Transit Operations Program, and $170,539 in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTIMSEA). The total at June 30, 2022 was $424,692.

NOTE 9 - 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, 2022, is as follows:

Fare revenues	$ 222,929
Operating expenses	$ 7,094,474
Less: depreciation	1,046,436
Less: cost of specialized services	-
Less: contract and charter services, senior administration, maintenance labor and mobility management	-
Total	$ 6,048,038
Fare revenue ratio	3.7%

NOTE 9 - FARE REVENUE RATIO (concluded)

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 10 - 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, 2022, 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.

NOTE 10 - RISK MANAGEMENT (concluded)

Self-Insurance

The Authority maintains liability accounts for employee benefits and self-insurance reserves. The balances of these liabilities at June 30, 2022 are as follows:

	2022
Liability	$ 18,426
Vehicle damage	10,103
Employee benefits	121,942
Workers' compensation	-
Cafeteria plan	13,424
Total	$ 163,895

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, 2022.

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 estimates for the ultimate unpaid losses incurred for vehicle collision and deductible on liability insurance was derived from the June 30, 2022 valuation report. The fiscal year ending June 30, 2022 estimate was $15,780.

NOTE 11 - 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, 2022, the Authority received $4,055,515. This amounts to 61% of total revenue for the year.

NOTE 12 - 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, 2022, 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.

NOTE 12 - PTMISEA (concluded)

As of June 30, 2022, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance at June 30, 2021	$	170,539
PTMISEA received		-
Expenditures incurred:		
Transit buses		(-)
Unexpended proceeds at June 30, 2022	$	170,539

REQUIRED SUPPLEMENTAL INFORMATION

Mendocino Transit Authority

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

As of June 30, 2022

Last 8 Years

Schedule of the Proportionate Share of the Net Pension Liability (Measurement Date)	Miscellaneous Plan							
	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.023060%	0.020010%	0.017540%	0.016230%	0.015404%	0.014549%	0.011889%	0.015799%
Proportionate share of the net pension liability	$ 1,247,312	$ 2,177,528	$ 1,797,406	$ 1,563,664	$ 1,527,654	$ 1,258,942	$ 816,711	$ 983,080
Covered - employee payroll	$ 2,214,796	$ 2,503,504	$ 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 payroll	56.32%	86.98%	70.58%	65.83%	70.89%	59.02%	38.54%	49.98%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	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, 2022
Last 8 Years

SCHEDULE OF CONTRIBUTIONS

Fiscal Year End	Miscellaneous Plan							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 378,170	$ 315,229	$ 305,721	$ 254,376	$ 215,248	$ 184,327	$ 165,348	$ 164,914
Contributions in relation to the actuarially determined contributions	(378,170)	(315,229)	(305,721)	(254,376)	(215,264)	(184,327)	(165,348)	(164,914)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (16)	$ -	$ -	$ -
Covered-employee payroll during the fiscal year	$ 2,509,682	$ 2,214,796	$ 2,503,504	$ 2,546,696	$ 2,375,217	$ 2,154,914	$ 2,133,007	$ 1,919,529
Contributions as a percentage of covered payroll	15.07%	14.23%	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.

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REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS IN RELATION TO THE LOCAL TRANSPORTATION PURPOSE FUNDS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

Board of Directors
Mendocino Transit Authority
Ukiah, 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 business-type activities and the major fund of Mendocino Transit Authority, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mendocino Transit Authority's basic financial statements, and have issued our report thereon dated March 28, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the requirements of the California Transportation Development Act Code of regulations Sections 142257, 5554 and 6667 regulations as it applies to Local Transportation Purpose Funds noncompliance, which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with such 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 herein under the California Transportation Development Act Code of regulations Sections 142257, 5554 and 6667 as it applies to Local Transportation Purpose Funds and *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mendocino Transit Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mendocino Transit Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor & Company

. OConnor & Company

San Rafael, California
March 28, 2023