# WEST COUNTY TRANSPORTATION AGENCY

SONOMA COUNTY
SANTA ROSA, CALIFORNIA

AUDITED FINANCIAL STATEMENTS & REPORTS

JUNE 30, 2020

**Chavan & Associates, LLP**
Certified Public Accountants
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

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**WEST COUNTY TRANSPORTATION AGENCY**
**SONOMA COUNTY**

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# FINANCIAL SECTION

Chavan and Associates, llp
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

Board of Directors
West County Transportation Agency
Santa Rosa, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the West County Transportation Agency (the Agency), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Agency 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Agency'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 Agency'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.


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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency, 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**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, and schedule of CalPERS proportionate share of net pension liability, 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The organization schedule, schedule of financial trends and analysis, and reconciliation of the Annual Financial Budget Report to the audited financial statements, as required by the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The reconciliation of the Annual Financial Budget Report to the audited financial statements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the reconciliation of the Annual Financial Budget Report to the audited financial statements, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


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The organization schedule and schedule of financial trends and analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

C & A LLP

February 25, 2021
San Jose, California


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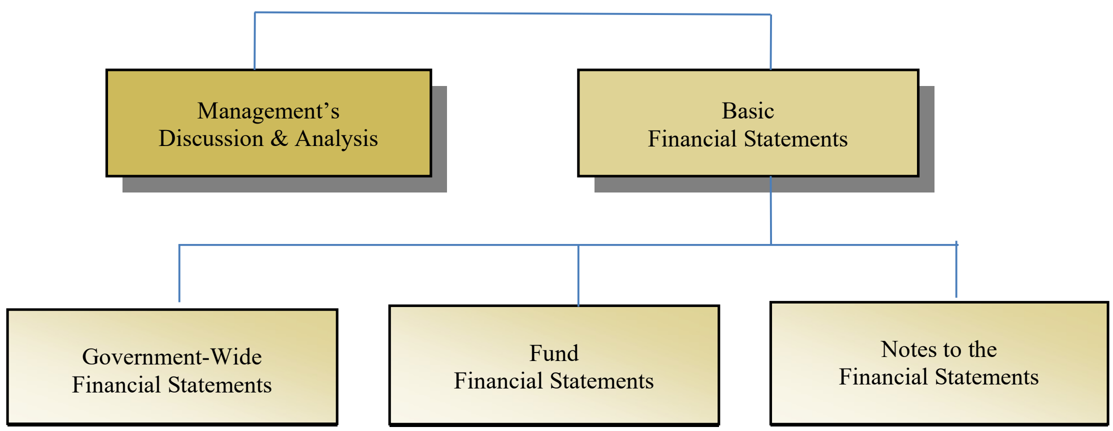
## *Management's Discussion and Analysis*

## Introduction

The Management's Discussion and Analysis (MD&A) is a required section of the Agency's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the Agency's financial performance during the fiscal year that ended on June 30, 2020. This report will (1) focus on significant financial issues, (2) provide an overview of the Agency's financial activity, (3) identify changes in the Agency's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the Agency's operations and financial standing.

**Required Components of the Annual Financial Report**




## Financial Highlights

Key financial highlights for 2019-2020 are as follows:

- Total net position decreased by $1,147,219 from June 30, 2019 to June 30, 2020.
- General revenues accounted for $18,233,402 which was 99.98% of all revenues.
- The Agency had $19,384,331 in direct program expenses.
- Total fund balance in the governmental funds decreased by $3,102,251 or 27% from June 30, 2019 to June 30, 2020.
- The Agency maintains sufficient reserves for an Agency its size. It exceeds the State required minimum reserve for economic uncertainty of 3% of general fund expenditure, transfers out and other uses (total outgo). At June 30, 2020, the Agency had available reserves of $2,704,251 in the General Fund, which represents a reserve of 14.36%.

**Overview of the Financial Statements**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management's Discussion and Analysis. The three sections together provide a comprehensive financial overview of the Agency. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, Government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the Agency's overall financial position.
- Individual parts of the Agency, which are reported as fund financial statements, focus on reporting the Agency's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

**Government-wide Financial Statements - Statement of Net Assets and the Statement of Activities**

While this document contains the large number of funds used by the Agency to provide programs and activities, the view of the Agency as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2019 - 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Agency's net position and changes in net position. This change in net position is important because it tells the reader that, for the Agency as a whole, the financial position of the Agency has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Agency's property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Agency reports governmental activities. Governmental activities are the activities where most of the Agency's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The Agency does not have any business type activities.

**Reporting the Agency's Most Significant Funds**

**Fund Financial Statements**

The analysis of the Agency's major funds begins with the Balance Sheet. Fund financial reports provide detailed information about the Agency's major funds. The Agency uses funds to account for a multitude of financial transactions. These fund financial statements focus on each of the Agency's most significant funds. The Agency's major governmental fund were the General Fund and the Special Reserve Fund for Capital Outlay Projects.

**Governmental Funds**

Most of the Agency's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Agency's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The Agency as a Whole**

Recall that the Statement of Net Position provides the perspective of the Agency as a whole. Table 1 provides a summary of the Agency's net position as of June 30, 2020 as compared to June 30, 2019:

**Table 1 - Summary of Net Position**

| | | 2020 | | 2019 | | Change | Percent |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current and Other Assets | $ | 8,841,505 | $ | 12,136,720 | $ | (3,295,215) | -27.2% |
| Capital Assets | | 15,372,895 | | 13,832,510 | | 1,540,385 | 11.1% |
| Total Assets | $ | 24,214,400 | $ | 25,969,230 | $ | (1,754,830) | -6.8% |
| | | | | | | | |
| Total Deferred Outflows of Resources | $ | 1,728,565 | $ | 1,859,682 | $ | (131,117) | -7.1% |
| | | | | | | | |
| **Liabilities** | | | | | | | |
| Current Liabilities | $ | 700,295 | $ | 902,259 | $ | (201,964) | -22.4% |
| Long-Term Liabilities | | 17,872,586 | | 18,420,816 | | (548,230) | -3.0% |
| Total Liabilities | $ | 18,572,881 | $ | 19,323,075 | $ | (750,194) | -3.9% |
| | | | | | | | |
| Total Deferred Inflows of Resources | $ | 181,986 | $ | 170,520 | $ | 11,466 | 6.7% |
| | | | | | | | |
| **Net Position** | | | | | | | |
| Net Investment in Capital Assets | $ | 7,210,611 | $ | 7,231,276 | $ | (20,665) | -0.3% |
| Unrestricted | | (22,513) | | 1,104,041 | | (1,126,554) | -102.0% |
| Total Net Position | $ | 7,188,098 | $ | 8,335,317 | $ | (1,147,219) | -13.8% |

Total assets of governmental activities decreased by $1,754,830, while capital assets increased by $1,540,385 because of current year depreciation net of equipment purchases and construction additions. Unrestricted net assets of the Agency, which do not have constraints from grantors, legal requirements, or legislation, increased by $1,126,554, mainly due to an increase in interagency revenue.

The vast majority of the Agency's capital assets consisted of school buses, which do depreciate rather quickly. Over the course of this school year, the Agency did not have all of its positions filled and the cost of fuel did not raise as significantly as budgeted, leaving a larger than expected ending fund balance.

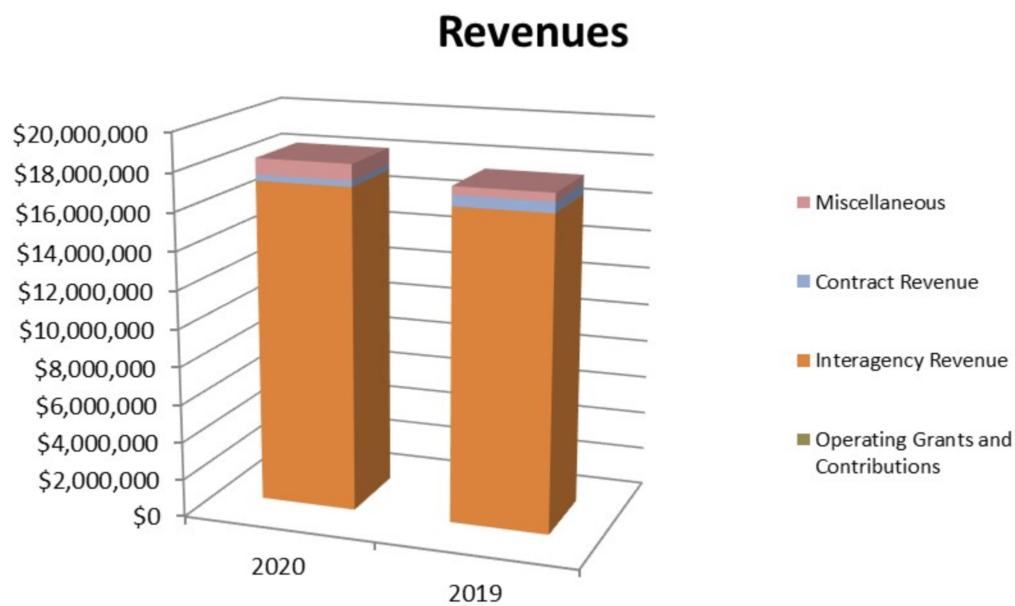
Table 2 shows the changes in net position from fiscal year 2018-2019 to 2019-2020.

**Table 2 - Change in Net Position**

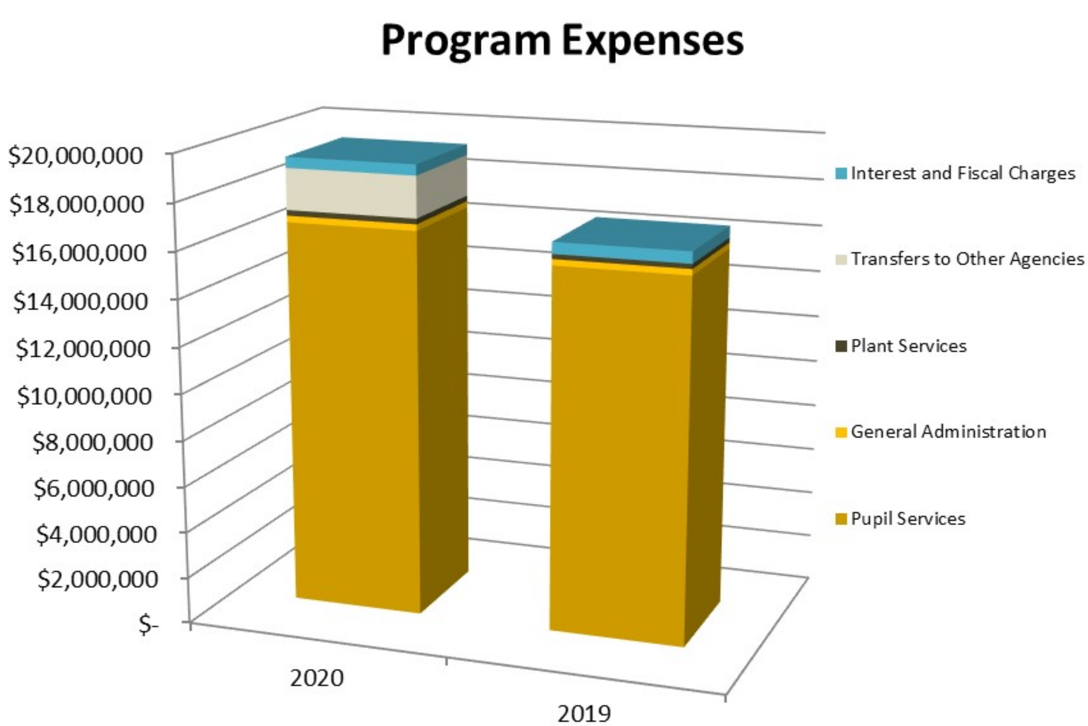
| | 2020 | 2019 | Change | Percent |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program Revenues: | | | | |
| Operating Grants and Contributions | $ 3,710 | $ 8,181 | $ (4,471) | -120.5% |
| General Revenues: | | | | |
| Interagency Revenue | 17,071,183 | 16,448,368 | 622,815 | 3.6% |
| Contract Revenue | 314,991 | 561,182 | (246,191) | -43.9% |
| Miscellaneous | 847,228 | 445,772 | 401,456 | 90.1% |
| **Total Revenues** | 18,237,112 | 17,463,503 | 773,609 | 4.4% |
| **Program Expenses** | | | | |
| Pupil Services | 16,631,081 | 15,608,210 | 1,022,871 | 6.6% |
| General Administration | 278,403 | 263,573 | 14,830 | 5.6% |
| Plant Services | 238,502 | 207,019 | 31,483 | 15.2% |
| Transfers to Other Agencies | 1,770,883 | - | 1,770,883 | 100.0% |
| Interest and Fiscal Charges | 465,462 | 500,089 | (34,627) | -6.9% |
| **Total Expenses** | 19,384,331 | 16,578,891 | 2,805,440 | 16.9% |
| **Change in Net Position** | (1,147,219) | 884,612 | (2,031,831) | 229.7% |
| **Beginning Net Position** | 8,335,317 | 7,450,705 | 884,612 | 11.9% |
| **Ending Net Position** | $ 7,188,098 | $ 8,335,317 | $ (1,147,219) | -13.76% |

Interagency revenue comprised 94% of Agency revenues for fiscal year 2019-2020. Pupil transportation services comprised 86% of Agency expenses for fiscal year 2019-2020. School Transportation is partially funded in California's Education Budget. Funding for school transportation in reported as interagency revenue which are fees assessed to member school districts (direct assessment on members based on a formula that distributes revenue and costs to member school districts). Some additional revenue is generated by providing field trips and vehicle maintenance for other school districts and public agencies that are not members. This additional revenue helps to reduce our excess costs to members. During the year, the Agency paid $1,770,883 to its members as a credit for member assessments collected in prior years.

The following is a summary of government wide revenues for the fiscal year ended June 30, 2020:




The following is a summary of expenses by function for the fiscal year ended June 30, 2020:



## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by general revenues for the Government-wide statements.

**Table 3 - Net Cost of Services**

| Function | 2020 | 2019 | Change | Percent |
|---|---|---|---|---|
| Pupil Services | $ 16,627,371 | $ 15,600,029 | $ 1,027,342 | 6.59% |
| General Administration | 278,403 | 263,573 | 14,830 | 5.63% |
| Plant Services | 238,502 | 207,019 | 31,483 | 15.21% |
| Transfers to Other Agencies | 1,770,883 | - | 1,770,883 | 100.00% |
| Interest and Fiscal Charges | 465,462 | 500,089 | (34,627) | -6.92% |
| Total Net Cost of Services | $ 19,380,621 | $ 16,570,710 | $ 2,809,911 | 16.96% |

*Pupil Services* include the activities involved with transporting students for members and other contracted entities. Relative to the decrease in pupil service, regular home to school transportation is not mandated in California. Due to the current severe financial constraints, many school districts have reduced or eliminated their regular home to school transportation program. In addition, many of our school districts have been in declining enrollment and there are fewer students who attend our member school districts, and therefore, fewer school bus riders. Special education transportation, however, is mandated by federal law for those students requiring it to access their educational program.

*General Administration* includes the costs associated with the Board of Directors, administration, fiscal and business services, and other expenses related to the financial supervision of the Agency.

*Plant Services* includes the operation and maintenance of grounds, buildings, and equipment.

*Interest and Fiscal Charges* include the payment of interest and other debt related charges of the Agency.

## The Agency's Funds

Table 4 provides an analysis of the Agency's fund balances and the total change in fund balances from the prior year.

**Table 4 - Changes in Fund Balances**

| Funds | 2020 | 2019 | Change | Percent |
|---|---|---|---|---|
| General Fund | $ 3,175,840 | $ 3,888,593 | $ (712,753) | -18.33% |
| Pupil Transportation Equipment Fund | 112 | 21,005 | (20,893) | -99.47% |
| Special Reserve for Capital Outlay Projects Fund | 5,091,258 | 7,459,863 | (2,368,605) | -31.75% |
| Total Governmental Fund Balances | $ 8,267,210 | $11,369,461 | $ (3,102,251) | -27.29% |

The General Fund is the primary operating fund of the Agency. The decrease in the fund balance is primarily due to bus driver positions that were unfilled and fuel costs staying lower than expected.

The Pupil Transportation Equipment Fund transfers $10,000 per year from the general fund and is used to supplement the purchase of school buses and other motor vehicle equipment for the Agency.

The Special Reserve for Capital Outlay Projects Fund is designated for construction projects. Currently the Agency has the parking lot expansion under the ongoing construction projects.

## General Fund Budgetary Highlights

The Agency's budget is prepared according to California law and is based on the modified accrual basis of accounting. Over the course of the year, the Agency revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the Agency revises its budget at First and Second Interim and at Year-End to reflect the most current financial information available at that point in time.

During the course of the 2019-2020 fiscal year, the Agency revised its General Fund budget three times - at 1st Interim, 2nd interim, and at Year-End, which resulted in a total increase in expenditures of $192,679 over the 2019-2020 Adopted Budget. The overall increase in expenditures is largely due to higher than expected cost of services and supplies and the purchase of new buses during the year from grant programs.

For the General Fund, the final year-end budget basis revenue and other financing sources estimate was $17,687,327 and the original budgeted estimate was $17,726,249.

## Capital Assets

Table 5 shows June 2020 capital asset balances net of depreciation as compared to June 2019.

**Table 5 - Summary of Capital Assets Net of Depreciation**

| Asset Classification | 2020 Net Capital Assets | 2019 Net Capital Assets | Increase (Decrease) | Percent |
|---|---|---|---|---|
| Land | $ 885,000 | $ 885,000 | $ - | 0.0% |
| Construction-in-progress | 6,104,571 | 3,585,575 | 2,518,996 | 70.3% |
| Land Improvements | 293,460 | 361,326 | (67,866) | -18.8% |
| Buildings and Improvements | 2,632,313 | 2,642,398 | (10,085) | -0.4% |
| Equipment | 5,457,551 | 6,358,211 | (900,660) | -14.2% |
| Total Net Capital Assets | $ 15,372,895 | $ 13,832,510 | $ 1,540,385 | 11.1% |

Net capital assets increased by 11.1% from fiscal year 2018-2019 to fiscal year 2019-2020 mainly due to construction in progress totaling $2,518,996 during the year.

## Long Term Debt

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

**Table 6 - Long-term Debt**

| Type of Debt | 2020 | 2019 | Increase (Decrease) | Percent |
|---|---|---|---|---|
| Capital lease obligations | $ 3,034,503 | $ 3,705,201 | $ (670,698) | -18.10% |
| Note payable | - | 132,186 | (132,186) | -100.00% |
| Bond payable | 10,220,000 | 10,435,000 | (215,000) | -2.06% |
| Net pension liability | 4,576,175 | 4,109,864 | 466,311 | 11.35% |
| Compensated absences | 41,908 | 38,565 | 3,343 | 8.67% |
| Total Long-term Debt | $ 17,872,586 | $ 18,420,816 | $ (548,230) | -2.98% |

Capital lease obligations decreased by $670,698 from the principal payments made on existing obligations. The Agency generally utilizes municipal (government) lease-purchase financing for buses, equipment and some construction. At the end of the term, the Agency owns the leased equipment. The Agency has three separate lease-purchases for building construction and several others for special education buses that have been purchased over the past several years. In the 2017 fiscal year, the Agency issued $10.8M in revenue bonds to finance the acquisition, construction, expansion and equipping of certain transportation facilities.

## Factors Bearing on the Agency's Future

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could affect its future financial health:

For the 2019-20 school year, the approved apportionment for pupil transportation for the Agency is identical to the 2012-13 school year. School transportation funding for school districts in California is an add-on to the base grant under the LCFF. The funding is restricted to transportation use and there is a "maintenance of effort" requirement, meaning that school districts must spend at least as much as they receive in revenue. There has been no COLA for school transportation. For school transportation JPA's, legislative language allowed funding to flow to the JPA for the 2013-14 and 2014-15 fiscal years. The California Legislature required school transportation JPA's to transfer their State Revenue for pupil transportation back to its member districts. The California Department of Education required school transportation JPAs to transfer their funds to member school districts by September 30, 2015. The Agency took action in September 2015, to transfer an amount to members that would ensure preservation of the revenue. In addition, the districts would transfer the funds back to the JPA in the 2015-16 school year, and each subsequent school year in three equal amounts in the beginning of each school year.

For the 2019-2020 fiscal year, the Agency continues to be understaffed due the national school bus driver shortages. Due to these shortages, the Agency has contracted pupil transportation services, as needed, from for profit transportation providers at a premium cost to the Agency. The transitional experience since accepting Santa Rosa City Schools membership in fiscal year 2016-17 is nearly complete with exception to the special needs phasing-in of percentages of use costs. The Agency facility development project phase one is complete with the addition of fleet maintenance bays and employee lounge. Phase two, parking lot development project, is anticipated to begin in the Spring 2021. The development funds for phase two was anticipated and will be funded from the financing secured in 2017. The Agency began making payments beginning in the 2017-18 fiscal year and will continue to make payments on this financing for the 30-year term. Although a portion of facility development project is complete, until phase two is complete, the Agency will continue to incur additional and rising property lease costs to support their fleet and personnel growth from the impact of the changes noted in the 2016-17 fiscal year.

### Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Chad Barksdale, Executive Director, 367 West Robles Avenue, Santa Rosa, CA 95407, phone (707) 206-9988 x230.

***Basic Financial Statements***

# WEST COUNTY TRANSPORTATION AGENCY
## STATEMENT OF NET POSITION
## JUNE 30, 2020

| | | Governmental Activities |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and investments | $ | 7,680,484 |
| Accounts receivable | | 68,794 |
| Inventory | | 260,758 |
| Prepaid expenses | | 208,831 |
| Total current assets | | 8,218,867 |
| Noncurrent assets: | | |
| Restricted cash and investments | | 622,638 |
| Capital assets: | | |
| Non-depreciable | | 6,989,571 |
| Depreciable - net accumulated depreciation | | 8,383,324 |
| Total noncurrent assets | | 15,995,533 |
| Total Assets | $ | 24,214,400 |
| **Deferred Outflows of Resources** | | |
| Pension adjustments | $ | 1,728,565 |
| Total Deferred Outflows of Resources | $ | 1,728,565 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | $ | 574,295 |
| Interest payable | | 126,000 |
| Total current liabilities | | 700,295 |
| Long-term liabilities: | | |
| Due within one year | | 922,599 |
| Due after one year | | 16,949,987 |
| Total long-term liabilities | | 17,872,586 |
| Total Liabilities | $ | 18,572,881 |
| **Deferred Inflows of Resources** | | |
| Pension adjustments | $ | 181,986 |
| Total Deferred Inflows of Resources | $ | 181,986 |
| **Net Position** | | |
| Net Investment in Capital Assets | $ | 7,210,611 |
| Unrestricted | | (22,513) |
| Total Net Position | $ | 7,188,098 |

*The notes to the financial statements are an integral part of this statement.*

**WEST COUNTY TRANSPORTATION AGENCY**
**STATEMENT OF ACTIVITIES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Expenses | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|
| Governmental activities | | | |
| Pupil services: | | | |
| Home-to-school transportation | $ 16,599,838 | $ 3,710 | $ (16,596,128) |
| General administration: | | | |
| All other general administration | 278,403 | - | (278,403) |
| Plant services | 269,745 | - | (269,745) |
| Transfers to other agencies | 1,770,883 | - | (1,770,883) |
| Interest and fiscal charges | 465,462 | - | (465,462) |
| Total governmental activities | $ 19,384,331 | $ 3,710 | (19,380,621) |
| General revenues: | | | |
| Interagency revenue | | | 17,071,183 |
| Contract revenue | | | 314,991 |
| Interest and investment earnings | | | 199,099 |
| Miscellaneous | | | 648,129 |
| Total general revenues | | | 18,233,402 |
| Change in net position | | | (1,147,219) |
| Net position beginning | | | 8,335,317 |
| Net position ending | | | $ 7,188,098 |

*The notes to the financial statements are an integral part of this statement.*

**WEST COUNTY TRANSPORTATION AGENCY**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**JUNE 30, 2020**

| | General Fund | Special Reserve for Capital Outlay Projects Fund | Pupil Transportation Equipment Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and investments | $ 3,210,791 | $ 5,092,219 | $ 112 | $ 8,303,122 |
| Accounts receivable | 68,794 | - | - | 68,794 |
| Inventory | 260,758 | - | - | 260,758 |
| Prepaid expenses | 208,831 | - | - | 208,831 |
| Total Assets | $ 3,749,174 | $ 5,092,219 | $ 112 | $ 8,841,505 |
| **Liabilities and Fund Balances** | | | | |
| Liabilities: | | | | |
| Accounts payable | $ 573,334 | $ 961 | $ - | $ 574,295 |
| Total Liabilities | 573,334 | 961 | - | 574,295 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Revolving cash | 2,000 | - | - | 2,000 |
| Prepaid expenses | 208,831 | - | - | 208,831 |
| Inventory | 260,758 | - | - | 260,758 |
| Restricted for: | | | | |
| Debt service | - | 622,638 | - | 622,638 |
| Capital projects | - | 4,020,044 | - | 4,020,044 |
| Committed for: | | | | |
| Transportation programs | - | 448,576 | 112 | 448,688 |
| Unassigned | 2,704,251 | - | - | 2,704,251 |
| Total Fund Balances | 3,175,840 | 5,091,258 | 112 | 8,267,210 |
| Total Liabilities and Fund Balances | $ 3,749,174 | $ 5,092,219 | $ 112 | $ 8,841,505 |

*The notes to the financial statements are an integral part of this statement.*

**WEST COUNTY TRANSPORTATION AGENCY**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**
**JUNE 30, 2020**

| | | |
|---|---|---|
| Total fund balances - governmental funds | | $ 8,267,210 |
| Capital assets for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is $32,252,771 and the accumulated depreciation is $18,097,442. | | 15,372,895 |
| The differences from pension plan assumptions, experience and estimates in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. | | 1,546,579 |
| Unmatured interest on long-term debt is accrued and expensed in the government-wide financial statements, but is recorded when paid in the governmental fund statements. | | (126,000) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | | |
| Capital leases payable | $ 3,034,503 | |
| Bond payable | 10,220,000 | |
| Net pension liability | 4,576,175 | |
| Compensated absences | 41,908 | (17,872,586) |
| Total net position - governmental activities | | $ 7,188,098 |

*The notes to the financial statements are an integral part of this statement.*

**WEST COUNTY TRANSPORTATION AGENCY**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND BALANCES - GOVERNMENTAL FUNDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | General Fund | Special Reserve for Capital Outlay Projects Fund | Pupil Transportation Equipment Fund | Total Governmental Funds |
|---|---|---|---|---|
| Revenues: | | | | |
| Interagency revenue | $ 17,071,183 | $ - | $ - | $ 17,071,183 |
| Other local | 1,048,205 | 117,374 | 350 | 1,165,929 |
| Total revenues | 18,119,388 | 117,374 | 350 | 18,237,112 |
| Expenditures: | | | | |
| Pupil services: | | | | |
| Home-to-school transportation | 14,463,648 | - | - | 14,463,648 |
| General administration: | | | | |
| All other general administration | 265,903 | - | - | 265,903 |
| Plant services | 238,502 | - | 31,243 | 269,745 |
| Facility acquisition and construction | 590,859 | 2,485,979 | - | 3,076,838 |
| Transfers to other agencies | 1,770,883 | - | - | 1,770,883 |
| Debt service: | | | | |
| Principal on long-term debt | 1,017,884 | - | - | 1,017,884 |
| Interest on long-term debt | 474,462 | - | - | 474,462 |
| Total expenditures | 18,822,141 | 2,485,979 | 31,243 | 21,339,363 |
| Excess (deficiency) of revenues over (under) expenditures | (702,753) | (2,368,605) | (30,893) | (3,102,251) |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 10,000 | 10,000 |
| Transfers out | (10,000) | - | - | (10,000) |
| Total other financing sources (uses) | (10,000) | - | -<br>10,000 | - |
| Net changes in fund balances | (712,753) | (2,368,605) | (20,893) | (3,102,251) |
| Fund balances beginning | 3,888,593 | 7,459,863 | 21,005 | 11,369,461 |
| Fund balances ending | $ 3,175,840 | $ 5,091,258 | $ 112 | $ 8,267,210 |

*The notes to the financial statements are an integral part of this statement.*

**WEST COUNTY TRANSPORTATION AGENCY**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | | |
|---|---|---|
| Total net change in fund balances - governmental funds | | $ (3,102,251) |
| Capital outlay is reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets was more than depreciation expense in the period. | | 1,540,385 |
| In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. | | (608,894) |
| The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows: | | |
| Repayment of capital leases payable | $ 670,698 | |
| Repayment of notes payable | 132,186 | |
| Repayment of bond principal | 215,000 | 1,017,884 |
| Unmatured interest on long-term debt is accrued and expensed in the government-wide financial statements, but is recorded when paid in the governmental fund statements. | | 9,000 |
| In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year amounts earned were greater than compensation used. | | (3,343) |
| Changes in net position of governmental activities | | $ (1,147,219) |

*The notes to the financial statements are an integral part of this statement.*

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The West County Transportation Agency (the Agency) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as prescribed by the U.S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The Agency is the level of government primarily accountable for activities related to public education. The Board is appointed by each member district and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. The Agency's combined financial statements include the accounts of all its operations. The Agency evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2020, the Agency does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

***Government-Wide Financial Statements:***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Agency. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Agency's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Agency does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Agency, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Agency.

***Fund Financial Statements:***

Fund financial statements report detailed information about the Agency. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

***Revenues - Exchange and Non-exchange Transactions:***

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Agency, "available" means collectible within the current period or within 365 days after year-end.

Non-exchange transactions, in which the Agency receives value ***without*** directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Agency must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Agency on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Outflows/Deferred Inflows:***

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

Deferred outflows and inflows of resources are reported for the changes related to pensions from the implementation of GASB Statement No. 68. In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

***Unearned Revenue:***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unavailable resources.

***Expenses/Expenditures:***

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, than unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. Agency resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Agency's accounts are organized into major and nonmajor funds as follows:

***Major Governmental Funds:***

The *General Fund* is the general operating fund of the Agency. It is used to account for all financial resources except for those required to be accounted for in another fund.

The *Special Reserve Fund for Capital Outlay Projects* exists primarily to account for major repairs of buildings and operational systems, construction or remodeling, new or replacement equipment, and any other qualifying capital outlay expenditures.

The *Pupil Transportation Fund* is used to account for revenues and expenditures associated with major repairs or replacement of the Agency's pupil transportation equipment. This fund's major revenue comes from local resources.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the Agency's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The Agency's governing board satisfied these requirements.

These budgets are revised by the Agency's governing board and Agency superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund are presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The Agency employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Accounting Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

H. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated by June 30 of each fiscal year.

I. 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 Agency's California Public Employees' Retirement System (CalPERS) (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

| | |
|---|---|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Measurement Period | July 1, 2015 to June 30, 2016 |

J. Assets, Liabilities, and Equity

1. Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation (FDIC).

In accordance with *Education Code* Section 41001, the Agency maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other local education agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

3. Prepaid Expenditures

The Agency has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The Agency has chosen to report the expenditure when paid

4. Inventory

Inventories are recorded using the purchases method, in that inventory acquisitions are initially charged as expenditures when acquired. The inventory (asset) account is adjusted to the physical count at year-end. Reported inventories are equally offset as a nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of current assets.

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

| Assets | Years |
|---|---|
| Land Improvements | 20 |
| Buildings and improvements | 20 - 50 |
| Building improvements | 20 |
| Equipment and vehicles | 5 - 20 |

6. Compensated Absences

All vacation pay plus related payroll tax is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the Agency. The Agency's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. Expenditures related to compensated absences are accounted for in the fund in which the related salaries are recorded.

7. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

8. Fund Balance Classifications

The Agency is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The Agency' minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, ranging from zero to 4.55 percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the Agency classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the Agency's board of education.

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Executive Director.

- Unassigned includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Agency uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Agency would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Agency's board did not take action to commit fund balance amounts as of June 30, 2020.

9. Net Position

Net position represents the difference between assets, deferred outflows, liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Agency or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The Agency applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

*Capital Projects* restrictions will be used for the acquisition and construction of capital facilities.

*Debt Service* restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

*Transportation program* restrictions reflect the cash balances in the Pupil Transportation Equipment Fund that are restricted for transportation equipment repairs, maintenance and replacement.

*Unrestricted net position* reflect amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

10. Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency has joined together with other local education agencies in the County to form the Redwood Empire School's Insurance Group (RESIG) public entity risk pools currently operating as common risk management and insurance programs. The Agency pays an annual premium for workers' compensation, property and liability insurance, and employee health benefits for its members. The Joint Powers Agreements provide that RESIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

K. Upcoming New Accounting Pronouncements

**GASB Statement No. 84, Fiduciary Activities**

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018 but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

**GASB issued Statement No. 87, Leases**

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2019 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency is in the process of determining the impact this Statement will have on the financial statements.

**GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period**

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019but have been delayed to periods beginning after December 15, 2020, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

**GASB Statement No. 90, Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61**

The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2018, but have been delayed to periods beginning after December 15, 2019, pursuant to GASB Statement No. 95. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

**GASB Statement No. 91, Conduit Debt Obligations**

The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitment and voluntary commitments extended by issuers and arrangements associated with the debt obligations; and improving required note disclosures. The requirements of this Statement were initially to be effective for financial statements for periods beginning after December 15, 2020 but have been delayed to periods beginning after December 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency doesn't believe this statement will have a significant impact on the Agency's financial statements.

**GASB Statement No. 92, *Omnibus 2020***

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency does not believe this statement will have a significant impact on the Agency's financial statements.

**GASB Statement No. 93, *Replacement of Interbank Offered Rates***

This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement apply to the financial statements of all state and local governments. The requirements of this Statement were initially to be effective for financial statements for periods beginning after June 15, 2020 but have been delayed to periods beginning after June 15, 2021, pursuant to GASB Statement No. 95. Earlier application is encouraged. The Agency does not believe this statement will have a significant impact on the Agency's financial statements.

**GASB Statement No. 94, *Public-Private Partnerships and Public-Public Partnerships and Availability Payment Arrangements***

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which

(1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are to be effective for financial statements for periods beginning after June 15, 2022. Earlier application is encouraged. The Agency does not believe this statement will have a significant impact on the Agency's financial statements.

## NOTE 2 - CASH AND INVESTMENTS

The following is a summary of cash and investments as of June 30, 2020:

| Description | Available for Operations | Restricted | Total | Fair Value |
|---|---|---|---|---|
| *Government-Wide Statements:* | | | | |
| Cash in county treasury investment pool | $ 7,545,982 | $ - | $ 7,545,982 | $ 7,590,503 |
| Cash in revolving fund | 134,502 | - | 134,502 | 134,502 |
| Cash with fiscal agent | - | 622,638 | 622,638 | 622,638 |
| Total Cash and Investments | $ 7,680,484 | $ 622,638 | $ 8,303,122 | $ 8,347,643 |

### Cash on Hand, in Banks and in Revolving Fund

As of June 30, 2020, the bank balances of the Agency's deposit accounts totaled $137,679. The Federal Depository Insurance Corporation (FDIC) covers up to $250,000 per bank. The Agency's bank balances are fully insured.

### Cash in County Treasury

The Agency is considered to be an involuntary participant in an external investment pool as the Agency is required to maintain substantially all of its cash with the County Treasurer in accordance with Education Code Section 41001. The fair value of the Agency's investment in the pool is reported in the accounting financial statements at amounts based upon the Agency's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Investments in the Sonoma County Treasury Investment Pool are not measured using input levels because the Agency's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

**Policies and Practices**

The Agency is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

*Interest Rate Risk*
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The Agency manages its exposure to interest rate risk by investing in the County Treasury. The Agency maintains cash with the Sonoma County Investment Pool. The pool has a fair value of approximately $2.526 billion and an amortized book value of $2.524 billion. The average maturity of the pool was 552 days with no derivative products.

*Credit Risk*
Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Sonoma County Investment Pool is governed by the County's general investment policy. The investment with the Sonoma County Investment Pool is rated at least Baa1 by Moody's Investor Service.

*Custodial Credit Risk – Deposits*
Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. The Agency does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

*Concentration of Credit Risk*
The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. Agency investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

## NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2020, consist of the following:

| Receivables by Resource | | General Fund |
|---|---|---|
| Due from member agencies | $ | 65,140 |
| Other local resources | | 3,654 |
| Total Accounts Receivable | $ | 68,794 |

## NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

### *Interfund Receivables/Payables (Due From/Due To)*

As of June 30, 2020, there were no interfund payables and receivables.

### *Interfund Transfers*

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. $10,000 was transferred from the general fund to the pupil transportation equipment fund during the fiscal year ended June 30, 2020.

## NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

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

| Capital Assets | Balance June 30, 2019 | Additions | Adjustments/ Deletions | Balance June 30, 2020 |
|---|---|---|---|---|
| Land - not depreciable | $ 885,000 | $ - | $ - | $ 885,000 |
| Work-in-progress - not depreciable | 3,585,575 | 2,518,996 | - | 6,104,571 |
| Land improvements | 1,140,106 | 6,625 | - | 1,146,731 |
| Buildings | 4,041,193 | 89,425 | - | 4,130,618 |
| Equipment | 21,238,645 | 557,373 | (1,810,167) | 19,985,851 |
| Total capital assets | 30,890,519 | 3,172,419 | (1,810,167) | 32,252,771 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 778,780 | 57,337 | 17,154 | 853,271 |
| Buildings | 1,398,795 | 99,510 | - | 1,498,305 |
| Equipment | 14,880,434 | 1,502,464 | (1,854,598) | 14,528,300 |
| Total accumulated depreciation | 17,058,009 | 1,659,311 | (1,837,444) | 16,879,876 |
| Total capital assets - net depreciation | $ 13,832,510 | $ 1,513,108 | $ 27,277 | $ 15,372,895 |

Depreciation expense was charged to government activities as follows:

| | |
|---|---|
| Home-to-school transportation | $ 1,646,811 |
| All other general administration | 12,500 |
| Total depreciation expense | $ 1,659,311 |

## NOTE 6 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities for the year ended June 30, 2020:

| Description | Balance June 30, 2019 | Additions | Adjustments/ Deletions | Balance June 30, 2020 | Due Within One Year |
|---|---|---|---|---|---|
| Capital lease payable | $ 3,705,201 | $ - | $ 670,698 | $ 3,034,503 | $ 687,266 |
| Note payable - direct borrowing | 132,186 | - | 132,186 | - | - |
| Bonds payable | 10,435,000 | - | 215,000 | 10,220,000 | 225,000 |
| Net pension liability | 4,109,864 | 2,863,364 | 2,397,053 | 4,576,175 | - |
| Compensated absences | 38,565 | 136,355 | 133,012 | 41,908 | 10,333 |
| Total Long-term Liabilities | $ 18,420,816 | $ 2,999,719 | $ 3,547,949 | $ 17,872,586 | $ 922,599 |

## NOTE 7 - CAPITAL LEASES

The Agency leases equipment and vehicles under agreements that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

| For the Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | 687,266 | 64,437 | 751,703 |
| 2022 | 530,025 | 51,253 | 581,278 |
| 2023 | 440,181 | 35,829 | 476,010 |
| 2024 | 449,465 | 26,545 | 476,010 |
| 2025-2026 | 927,566 | 24,452 | 952,018 |
| Total Debt Service | $ 3,034,503 | $ 202,516 | $ 3,237,019 |

The Agency will receive no sublease rental revenues nor pay any contingent rentals for these leased assets.

## NOTE 8 - NOTE PAYABLE

The Agency borrowed $1,864,412 to finance construction of a new parking area, shop and administration building and as of June 30, 2020, the total loan has been repaid.

## NOTE 9 - REVENUE BONDS

In April 2017, the Agency issued $10,835,000 in revenue bonds with interest rates of 2.0-4.0% to finance the acquisition, construction, expansion and equipping of certain transportation facilities in the County of Sonoma, California. The net proceeds of $10,835,000 (after payment of $176,086 in underwriting fees and other issuance costs) included $618,000 which was deposited into the Reserve Fund for the Bonds. The Bonds are special obligations of the Agency payable solely from Revenues consisting generally of Service Payments to be made by the Agency's school Agency members to the Agency and payments made by non-member school Agencies for contracted services, together with amounts on deposit in certain funds and accounts held under the Indenture. No other funds of the Agency are pledged to or available for payment of the principal of or interest on the Bonds.

As of June 30, 2020, the annual debt service requirements of the Agency's revenue bonds are as follows:

| For the Fiscal Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2021 | $ 225,000 | 390,644 | 615,644 |
| 2022 | 235,000 | 381,644 | 616,644 |
| 2023 | 245,000 | 372,244 | 617,244 |
| 2024 | 255,000 | 362,444 | 617,444 |
| 2025 | 265,000 | 352,244 | 617,244 |
| 2026-2030 | 1,475,000 | 1,602,787 | 3,077,787 |
| 2031-2035 | 1,745,000 | 1,336,525 | 3,081,525 |
| 2036-2040 | 785,000 | 1,042,438 | 1,827,438 |
| 2041-2045 | 3,285,000 | 654,200 | 3,939,200 |
| 2046-2047 | 1,705,000 | 136,400 | 1,841,400 |
| Total Debt Service | $ 10,220,000 | $ 6,631,569 | $ 16,851,569 |

## NOTE 10 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The Agency participates in a JPA with RESIG. A board consisting of a representative from each member Agency governs this JPA. The governing board controls the operation of the JPA independent of any influence by the Agency beyond the Agency's representation on the governing board. The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member Agencies share surpluses and deficits proportionately to their participation. The relationship between the Agency and the JPA is such that the JPA is not a component unit of the Agency for financial reporting purposes. The JPA's most recent financial statement information can be found at https://resig.org/about/annual-audits-and-reports/.

## NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

*General Information about the Pension Plans*

**Plan Description** - All qualified permanent and probationary employees are eligible to participate in the Agency's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan 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 the 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:

| | Miscellaneous | |
|---|---|---|
| | Tier 1 | PEPRA |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 Years | 5 Years |
| Benefit payments | Monthly for Life | Monthly for Life |
| Retirement age | 55 | 62 |
| Monthly benefits as a % of eligible compensation | 2.0% to 2.5% | 2.00% |
| Required employee contribution rates | 7.000% | 6.250% |
| Required employer contribution rates | 10.221% | 6.842% |

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan 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 Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2020, the Agency's contributions were as follows:

| | | |
|---|---|---|
| Miscellaneous | $ | 864,446 |
| **Total** | $ | 864,446 |

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

As of June 30, 2020, the Agency reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

| | Proportionate Share of Net Pension Liability/(Asset) | |
|---|---|---|
| Miscellaneous | $ | 4,576,175 |

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The Agency's proportionate share of the net pension liability for the Plan as of measurement dates, June 30, 2019 and 2019 was as follows:

| | Miscellaneous | Safety | Combined Plans |
|---|---|---|---|
| Proportion - June 30, 2019 | 0.10905% | 0.00000% | 0.04265% |
| Proportion - June 30, 2020 | 0.11428% | 0.00000% | 0.04466% |
| Change - Increase/(Decrease) | 0.00522% | 0.00000% | 0.00201% |

For the year ended June 30, 2020, the Agency recognized pension expense of $1,473,360. At June 30, 2020, the Agency 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 |
|---|---|---|
| Changes of Assumptions | $ 218,213 | $ 77,355 |
| Differences between Expected and Actual Experience | 317,835 | 24,626 |
| Differences between Projected and Actual Investment Earnings | - | 80,006 |
| Differences between Employer's Contributions and Proportionate Share of Contributions | 65,401 | - |
| Change in Employer's Proportion | 262,650 | - |
| Pension Contributions Made Subsequent to Measurement Date | 864,466 | - |
| **Total** | $ 1,728,565 | $ 181,986 |

The Agency reported $864,466 as deferred outflows of resources related to contributions subsequent to the measurement date that 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:

| Fiscal Year Ending June 30: | Deferred Outflows/ (Inflows) of Resources |
|---|---|
| 2021 | $ 531,054 |
| 2022 | 57,256 |
| 2023 | 77,636 |
| 2024 | 16,167 |
| 2025 | - |
| Thereafter | - |
| **Total** | $ 682,113 |

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| 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 | 2.75% |
| Projected Salary Increase | (1) |
| Investment Rate of Return | 7.15% (2) |
| Mortality | (3) |

(1) Varies by age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

**Discount Rate -** The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is net of administrative expenses.

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.

| Asset Class (a) | Assumed Asset Allocation | Real Return Years 1 - 10 (b) | Real Return Years 11+ (c) |
|---|---|---|---|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Sensitive | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | 100.00% | | |

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.
(b) An expected inflation of 2.0% used for this period.
(c) An expected inflation of 2.92% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** -The following presents the Agency's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Agency'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** | **Safety** |
|---|---|---|
| 1% Decrease | 6.15% | 6.15% |
| Net Pension Liability | $ 7,910,426 | - |
| Current | 7.15% | 7.15% |
| Net Pension Liability | $ 4,576,175 | - |
| 1% Increase | 8.15% | 8.15% |
| Net Pension Liability | $ 1,823,987 | - |

**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 12 - COMMITMENTS AND CONTINGENCIES

Federal and State Allowances, Award, and Grants

The Agency has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the Agency may incur a liability to grantor agencies.

Contingent Liabilities

The Agency is at risk to be a defendant in various lawsuits which arise in the normal course of business. Management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the Agency.

Operating Leases

In December of 2017, the Agency signed an operating lease for a warehose and yard in Santa Rosa at a base rent of $9,000 per month for three years. Total rent expense during the year was $193,940.

## NOTE 13 - CONCENTRATIONS

The Agency's primary source of revenue is contributions from participating Sonoma County School Agencies. The Agency operates in a heavily regulated environment and is subject to administrative directives, and rules and regulations of federal, state and local regulatory agencies and governing boards. Additionally, the Agency is dependent on the continued participation of the member Agencies. The Agency could potentially be negatively impacted by changes in state funding or changes to other rules and regulations affecting the transportation industry.

## NOTE 14 - COVID-19 PANDEMIC IMPACT

In December 2019, a novel strain of coronavirus surfaced (COVID-19 or CV19) and spread around the world, with resulting business and social disruption. The operations and business results of the Agency could be materially and adversely affected in the future, including a reduction in the level of funding and potential impacts from the timing of cash flows. In addition, significant estimates may be materially and adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2020-2021 fiscal year, the Agency will continue to monitor the impact CV19 has on the national and local economy in an effort to anticipate any potentially negative impact it may have on the Agency. As of the date of issuance of these financial statements, the Agency had not suffered a material adverse impact from the CV19 Crisis. However, the future impact of the CV19 Crisis cannot be reasonably estimated.

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# REQUIRED SUPPLEMENTARY INFORMATION

**WEST COUNTY TRANSPORTATION AGENCY**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**
**IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)**
**GENERAL FUND**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | | Variance with |
|---|---|---|---|---|
| | Adopted | Final | Actual (GAAP Basis) | Final Budget Positive - (Negative) |
| Revenues: | | | | |
| Interagency revenue | $ 17,522,749 | $ 17,075,492 | $ 17,071,183 | $ (4,309) |
| Other local | 203,500 | 611,835 | 1,048,205 | 436,370 |
| Total revenues | 17,726,249 | 17,687,327 | 18,119,388 | 432,061 |
| Expenditures: | | | | |
| Classified salaries | 8,413,605 | 7,446,547 | 7,821,282 | (374,735) |
| Employee benefits | 4,560,483 | 3,990,183 | 4,033,236 | (43,053) |
| Books and supplies | 1,499,672 | 1,294,905 | 1,313,119 | (18,214) |
| Services and other operating expenditures | 1,704,736 | 1,894,585 | 1,800,416 | 94,169 |
| Capital outlay | 35,000 | 1,779,955 | 590,859 | 1,189,096 |
| Transfers to other agencies | - | 1,770,883 | 1,770,883 | - |
| Debt service: | | | | |
| Principal | 1,017,883 | 1,017,883 | 1,017,884 | (1) |
| Interest | 484,877 | 484,877 | 474,462 | 10,415 |
| Total expenditures | 17,716,256 | 19,679,818 | 18,822,141 | 857,677 |
| Excess (deficiency) of revenues over (under) expenditures | 9,993 | (1,992,491) | (702,753) | 1,289,738 |
| Other financing sources (uses): | | | | |
| Transfers out | (10,000) | (10,000) | (10,000) | - |
| Total other financing sources (uses) | (10,000) | (10,000) | (10,000) | - |
| Net change in fund balance | $ (7) | $ (2,002,491) | (712,753) | $ 1,289,738 |
| Fund balance beginning | | | 3,888,593 | |
| Fund balance ending | | | $ 3,175,840 | |

The budgetary control level is by object on the modified accrual basis per U.S. GAAP. Expenditures can not legally exceed appropriations by major object. Any excesses were not in accordance with Education Code 42600.

# WEST COUNTY TRANSPORTATION AGENCY
# SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| **Miscellaneous Plan** | | | | | | |
|---|---|---|---|---|---|---|
| Plan Measurement Date | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Fiscal Year Ended | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Contractually Required Contributions | $ 489,350 | $ 521,009 | $ 703,085 | $ 748,749 | $ 850,086 | $ 864,466 |
| Contributions in Relation to Contractually Required Contributions | 489,350 | 521,009 | 703,085 | 748,749 | 850,086 | 864,466 |
| **Contribution Deficiency (Excess)** | $ - | $ - | $ - | $ - | $ - | $ - |
| **Covered Payroll** | **$ 4,461,508** | **$ 4,747,407** | **$ 6,387,614** | **$ 6,585,169** | **$ 6,788,834** | **$ 7,229,192** |
| **Contributions as a % of Covered Payroll** | **10.97%** | **10.97%** | **11.01%** | **11.37%** | **12.52%** | **11.96%** |

**Notes to Schedule:**

Valuation Date: June 30, 2018

Assumptions Used:
- Entry Age Method used for Actuarial Cost Method
- Level Percentage of Payroll and Direct Rate Smoothing
- 3.8 Years Remaining Amortization Period
- Inflation Assumed at 2.5%
- Investment Rate of Returns set at 7.15%
- CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

# WEST COUNTY TRANSPORTATION AGENCY
# SCHEDULE OF PERS PROPORTIONATE SHARE OF NET PENSION LIABILITY
# FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| **Miscellaneous Plan** | | | | | | |
|---|---|---|---|---|---|---|
| Plan Measurement Date | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Fiscal Year Ended | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| Proportion of Net Pension Liability (Misc Plan Only) | 0.11421% | 0.08753% | 0.10604% | 0.10997% | 0.10905% | 0.11428% |
| Proportionate Share of Net Pension Liability | $ 2,822,763 | $ 2,401,393 | $ 3,683,528 | $ 4,335,050 | $ 4,109,864 | $ 4,576,175 |
| Covered Payroll | $ 4,230,501 | $ 4,461,508 | $ 4,747,407 | $ 6,387,614 | $ 6,585,169 | $ 6,788,834 |
| **Proportionate Share of NPL as a % of Covered Payroll** | **66.72%** | **53.82%** | **77.59%** | **67.87%** | **62.41%** | **67.41%** |
| **Plan's Fiduciary Net Position as a % of the TPL** | **81.15%** | **81.57%** | **77.89%** | **77.57%** | **81.52%** | **81.54%** |

Fiscal year 2015 was the first year of implementation, therefore only six years are shown.
The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016 and then decreased from 7.65% to 7.15% in fiscal year 2018.
The CalPERS mortality assumptions was adjusted in fiscal year 2019.

# SUPPLEMENTARY INFORMATION

The West County Transportation Agency was established in 1988 under a joint power agreement for the purpose of providing transportation to students enrolled in the member school Agencies. In addition, the Agency provides fixed route service, field trip service and vehicle maintenance service under contract to other local school Agencies.

**Governing Board**

| Name | Office | School Agency |
|---|---|---|
| Ms. Linda Irving | President | Sebastopol Union |
| Ms. Dana Pedersen | Vice President | Guerneville |
| Ms. Barbara Bickford | Secretary-Treasurer | Twin Hills Union |
| Mr. David Alexander | Director | Bellevue Union |
| Ms. Sue Field | Director | Bennett Valley Union |
| Mr. Robert Marical | Director | Cotati-Rohnert Park Unified |
| Ms. Renée Semik | Director | Forestville Union |
| Mr. David Rose | Director | Gravenstein Union |
| Mr. Adam Schaible | Director | Wright Elementary |
| Mr. Matthew Morgan | Director | Harmony Union |
| Mr. Ron Calloway | Director | Mark West Union |
| Ms. Laurie Mason | Director | Montgomery Elementary |
| Ms. Amber Stringfellow | Director | Oak Grove Union |
| Mr. Steve Charbonneau | Director | Piner-Olivet Union |
| Ms. Amy Jones-Kerr | Director | Roseland |
| Mr. Rick Edson | Director | Santa Rosa City Schools |
| Mr. Toni Beal | Director | West Sonoma County Union |

**Administration**
Mr. Chad Barksdale, Executive Director

**Address of Administrative Offices**
367 West Robles Avenue
Santa Rosa, California 95407

**WEST COUNTY TRANSPORTATION AGENCY**
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

| | (Budget[1]) 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| General Fund | | | | |
| Revenues and other financial sources | $ 16,866,518 | $ 18,119,388 | $ 17,283,207 | $ 16,782,214 |
| Expenditures | 17,636,518 | 18,822,141 | 16,309,475 | 17,747,133 |
| Other uses and transfers (out) | 10,000 | 10,000 | 10,000 | 10,000 |
| Total outgo | 17,646,518 | 18,832,141 | 16,319,475 | 17,757,133 |
| Change in fund balance | $ (780,000) | $ (712,753) | $ 963,732 | $ (974,919) |
| Ending fund balance | $ 2,395,840 | $ 3,175,840 | $ 3,888,593 | $ 2,924,861 |
| Available reserves[2] | $ 1,310,660 | $ 2,704,251 | $ 3,452,807 | $ 2,625,453 |
| Assigned for economic uncertainties | $ - | $ - | $ - | $ - |
| Unassigned fund balance | $ 1,310,660 | $ 2,704,251 | $ 3,452,807 | $ 2,625,453 |
| Available reserves as a percentage of total outgo | 7.43% | 14.36% | 21.16% | 14.79% |
| Total long-term debt | $ 16,949,987 | $ 17,872,586 | $ 18,420,816 | $ 19,635,273 |

The fund balance in the general fund has increased by $250,979 over the past three years. For a Agency this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The Agency has operated at a surplus in two of the past three years. Total long-term debt has decreased by $1,803,053 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2020/21.

[2] Available reserves consists of all unassigned fund balances in the general fund, which includes amounts set aside for economic uncertainties.

## WEST COUNTY TRANSPORTATION AGENCY
## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
## TO THE AUDITED FINANCIAL STATEMENTS
## FOR THE FISCAL YEAR ENDED JUNE 30, 2020

| | General Fund | Special Reserve for Capital Outlay Projects Fund | Pupil Transportation Equipment Fund |
|---|---|---|---|
| June 30, 2020 Annual Financial and Budget Report Fund Balances | $ 3,175,840 | $ 5,091,258 | $ 112 |
| Adjustments to reconcile audited financials: | | | |
| None | - | - | - |
| June 30, 2020 Audited Financial Statements Fund Balances | $ 3,175,840 | $ 5,091,258 | $ 112 |

## NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Financial Trends and Analysis

This schedule discloses the Agency's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the Agency's ability to continue as a going concern for a reasonable period of time.

B. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

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# OTHER INDEPENDENT AUDITOR'S REPORT

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

Board of Directors
West County Transportation Agency
Santa Rosa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West County Transportation Agency (the Agency) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated February 25, 2021.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

***Purpose of this Report***

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

C & A LLP

February 25, 2021
San Jose, California


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# FINDINGS AND RECOMMENDATIONS

## Section I - Summary of Auditor's Results

Financial Statements

| | | |
|---|---|---|
| Type of auditors report issued: | **Unmodified** | |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ Yes | __X__ No |
| Significant deficiencies identified not considered to be material weaknesses? | _____ Yes | __X__ None reported |
| Noncompliance material to financial statements noted? | _____ Yes | __X__ No |

## Section II - Financial Statement Findings

No findings noted.

## Section III - Federal Award Findings and Questioned Costs

No findings noted.

## Section IV - State Award Findings and Questioned Costs

No findings noted.

**Section II - Financial Statement Findings**

No findings noted.

**Section III - Federal Award Findings and Questioned Costs**

No findings noted.

**Section IV - State Award Findings and Questioned Costs**

No findings noted.