Meeting Date: March 26, 2025

Agenda Item: D.3

AGENDA SUMMARY REPORT

SUBJECT

Possible Acceptance of Draft Fiscal Audit for Fiscal Year 2023-2024.

SUMMARY:

As required by the Transit Development Act (TDA) Statutes and California Code of Regulations, PUC 99245, each transportation planning agency, transit board and county transportation commission shall ensure that all claimants to who it directs the allocation of Local Transportation Funds (LTF) shall submit to them an annual certified fiscal audit conducted by an entity other than the claimant.

STAFF RECOMMENDATION:

Accept the Draft Fiscal Year 2023-2024 Annual Fiscal Audit.

ATTACHMENTS:

ANNUAL FINANCIAL REPORT JUNE 30, 2024

BOARD OF DIRECTORS & MANAGEMENT REPORT JUNE 30, 2024

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3/17/2025

To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

MENDOCINO TRANSIT AUTHORITY

UKIAH, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mendocino Transit Authority
Ukiah, California

Report on the Financial Statements

Opinion
We have audited the accompanying financial statements of the business-type activities of Mendocino Transit Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mendocino Transit Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Mendocino Transit Authority, as of June 30, 2024, and the respective changes in financial position and cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

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

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited Mendocino Transit Authority's 2023 financial statements, and our report dated March 21, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

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

O'Connor & Company

Novato, California

This section of Mendocino Transit Authority's (the Authority's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2024. The Authority is a Joint Powers Authority entered into by the County of Mendocino and the four incorporated cities in the County. It administers transportation programs to the public with specialized services for seniors and the disabled. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

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

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

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

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

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

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

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Analytical Overview

Table 1
Business-Type Net Position

	2024	2023	2022
Current assets	$ 7,574,405	$ 6,987,745	$ 3,511,529
Capital assets	8,152,334	8,272,202	8,541,964
Total assets	15,726,739	15,259,947	12,053,493
Deferred outflows of resources	1,742,997	1,893,391	1,003,151
Current liabilities	3,788,951	1,491,186	1,012,382
Long-term liabilities	3,568,301	3,234,057	1,288,208
Total liabilities	7,357,252	4,725,243	2,300,590
Deferred inflows of resources	129,567	244,062	1,245,310
Net position			
Net investment in capital assets	8,117,808	8,232,364	8,496,814
Unrestricted	160,596	3,503,690	299,429
Restricted	1,704,513	447,979	714,501
Total net position	$ 9,982,917	$ 12,184,033	$ 9,510,744

The Authority's governmental net position amounted to $9,982,917 as of June 30, 2024, a decrease of $2,201,116 from 2023. This decrease is the Change in Net Position and the prior period adjustment reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position. The Authority's net position as of June 30, 2024 comprised the following:

- Cash and investments of $5,754,949 held with the Mendocino County Treasury.
- Other assets comprised accounts receivables of $83,083, grants receivables of $1,565,453, inventory items of $68,254 and prepaid items of $102,666.
- Capital assets of $8,117,808, net of depreciation charges, which include all the Authority's capital assets. Right to use assets, net of amortization charges was $34,526.
- Accounts payable of $280,729.
- Other liabilities comprise deferred revenue of $3,005,217, compensated absences of $305,568, an accrued liability for self-insurance of $192,500, lease liability of $31,022 and net pension liability of $3,537,279.
- Net investment in capital assets of $8,117,808, representing the Authority's investment in capital assets.
- Restricted net position totaling $1,704,513 may only be used for specialized transportation program services.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations and capital without constraints established by debt covenants or other legal requirements or restrictions. The Authority had $160,596 of unrestricted net position as of June 30, 2024.

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Comparative Analysis of Current and Prior Year Activities and Balances

Table 2
Changes in Net Position

	6/30/24	6/30/23	6/30/22	Increase (Decrease) between 2023-2024	
Operating revenues	$ 742,189	$ 643,909	$ 583,634	$ 98,280	Note 1
Operating expenses	9,205,060	8,321,010	7,094,474	884,050	Note 2
Net operating income	$ (8,462,871)	$ (7,677,101)	$ (6,510,840)	$ (785,770)	
Non-operating revenues (expenses)	$ 8,059,522	$ 10,350,390	$ 6,745,542	$ 2,290,868	Note 3

As Table 2 above shows, $742,189, or 8% of the Authority's fiscal year 2024 revenue, came from operating revenues which consisted of fares, contract services, charters, advertisements, and Sonoma County participation, and $9,205,060, or 92%, came from non-operating revenues (expenses) such as local transportation funds, capital grants and planning grants.

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

Note 2 - This increase in operating expenses relates to an increase associated with inflation of administration and transportation wages and related benefits.

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

Capital Assets

As of June 30, 2024, the Authority's investment in capital assets was $8,117,808 (net of accumulated depreciation). The Authority added $963,918 of facilities, vehicles, and equipment in fiscal year 2024. Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Basic Financial Statements.

Debt Administration

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

Economic Outlook and Major Initiatives

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

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

Contacting the Authority's Financial Management

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

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Mendocino Transit Authority

STATEMENTS OF NET POSITION

Proprietary Fund - Enterprise

June 30, 2024

(With Comparative Totals as of June 30, 2023)

ASSETS	2024	2023
Current assets:		
Cash and investments	$ 4,050,436	$ 2,087,488
Restricted cash and investments	1,704,513	447,979
Accounts receivable	83,083	104,097
Grants receivable	1,565,453	4,292,407
Inventories	68,254	33,478
Prepaid items	102,666	22,296
Total current assets	7,574,405	6,987,745
Capital assets:		
Non-depreciable	360,782	360,782
Right to use leased asset, net of accumulated amortizaton	34,526	39,838
Depreciable, net of accumulated depreciation	7,757,026	7,871,582
Total assets	15,726,739	15,259,947
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources	1,742,997	1,893,391
LIABILITIES		
Current liabilities:		
Accounts payable	280,729	545,368
Deferred revenue	3,005,217	481,390
Compensated absences	305,568	269,842
Lease payable	4,937	4,937
Accrued liability for self-insurance	192,500	189,649
Total current liabilities	3,788,951	1,491,186
Long-term liabilities:		
Lease payable	31,022	35,959
Net pension liability	3,537,279	3,198,098
Total liabilities	7,357,252	4,725,243
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources	129,567	244,062
NET POSITION		
Net investment in capital assets	8,117,808	8,232,364
Restricted for specialized services	1,704,513	447,979
Unrestricted	160,596	3,503,690
Total net position	$ 9,982,917	$ 12,184,033

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

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Mendocino Transit Authority

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Proprietary Fund - Enterprise

For the Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	2024	2023
Operating revenues:		
Fares	$ 365,229	$ 254,561
Nonpublic service contract	75,929	70,097
Advertisement	121,031	139,247
Sonoma County participation	180,000	180,004
Total revenues	742,189	643,909
Operating expenses:		
Transportation	6,875,264	5,997,394
Maintenance	706,811	699,519
Administrative and overhead	539,198	540,046
Depreciation and amortization	1,083,787	1,084,051
Total operating expenses	9,205,060	8,321,010
Operating income (loss)	(8,462,871)	(7,677,101)
Non-operating revenues (expenses):		
Local transportation fund	3,264,150	3,928,087
Local transportation fund - specialized	654,749	729,019
State transit assistance	1,443,571	1,167,375
Operating grants	2,444,983	4,462,946
Planning grants	-	-
State of good repair	-	-
LCTOP	105,652	-
Interest income	88,294	14,375
Interest expense	(1,159)	(1,305)
Other income	-	9,165
Maintenance labor	59,282	40,728
Total non-operating revenues (expenses)	8,059,522	10,350,390
Change in net position	(403,349)	2,673,289
Net position - beginning of period	12,184,033	9,510,744
Prior period adjustment	(1,797,767)	-
Net position - beginning of period restated	10,386,266	9,510,744
Net position - end of period	$ 9,982,917	$ 12,184,033

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

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Mendocino Transit Authority

STATEMENTS OF CASH FLOWS

Proprietary Fund - Enterprise

For the Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	2024	2023
Cash flows from operating activities:		
Receipts from customers	$ 742,189	$ 643,909
Payments to suppliers	(463,415)	(2,140,898)
Payments to employees	(5,100,160)	(4,565,555)
Net cash provided (used) by operating activities	(4,821,386)	(6,062,544)
Cash flows from noncapital financing activities:		
Local transportation funds	2,120,987	4,657,106
Operating grants	5,192,951	1,431,104
State transit assistance	1,443,571	1,167,375
LCTOP	105,652	-
Other income	-	9,165
Maintenance labor	59,282	40,728
Net cash provided (used) by noncapital financing activities	8,922,443	7,305,478
Cash flows from capital and related financing activities:		
Lease principal payments	(4,791)	(4,791)
Interest expense	(1,159)	(1,305)
Purchase of fixed assets	(963,919)	(814,288)
Net cash provided (used) by capital and related financing activities	(969,869)	(820,384)
Cash flows from investing activities:		
Interest earned	88,294	14,375
Net cash provided by investing activities	88,294	14,375
Net increase (decrease) in cash and cash equivalents	3,219,482	436,925
Cash and cash equivalents - beginning of period	2,535,467	2,098,542
Cash and cash equivalents - end of period	$ 5,754,949	$ 2,535,467
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:		
Operating income (loss)	$ (8,462,871)	$ (7,677,101)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,083,787	1,084,051
Changes in certain assets and liabilities:		
Inventories	(34,776)	2,557
Prepaid costs	(80,370)	(10,006)
Deferred revenue	2,523,827	56,698
Accounts payable and accruals	(264,640)	361,981
Accrued liability for self insurance	2,851	25,754
Deferred outflows	150,394	(890,240)
Deferred inflows	(114,495)	(1,001,248)
Net pension liability	339,181	1,950,786
Compensated absences	35,726	34,224
Total adjustments	3,641,485	1,614,557
Net cash provided (used) by operating activities	$ (4,821,386)	$ (6,062,544)
Cash and investments	$ 4,050,436	$ 2,087,488
Restricted cash and investments with fiscal agent	1,704,513	447,979
Total cash and cash equivalents	$ 5,754,949	$ 2,535,467

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

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NOTE 1 - ORGANIZATION

A. Reporting Entity

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

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

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

B. Use of Estimates

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

C. Cash and Cash Equivalents

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

D. Receivable and Payable Balances

The Authority believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuration of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Receivable and Payable Balances (concluded)

There are no significant receivables which are not scheduled for collection within one year of the year end. All trade and grants receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

E. Inventory

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

F. Prepaid Items

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

G. Capital Assets

Property and equipment are recorded at historical cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets of 1 to 30 years. Depreciation expense was $1,078,475 for the year ended June 30, 2024. All capital assets over $1,000 and with a useful life of more than one year are capitalized.

H. Compensated Absences

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

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

The full value of accrued vacation was $198,050 at June 30, 2024, and 25% of the value of accrued sick leave was $107,519 at June 30, 2024, and are recorded by the Authority as a liability. The total compensated absences liability was $305,568 at June 30, 2024.

I. Accounts Payable and Accrued Expenses

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

J. Leases

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Leases (concluded)

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

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

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

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt on the statement of net position. The Authority has elected to not present assets and liabilities related to leases of a period of twelve months or less.

K. Net Position

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

Net Investment in Capital Assets
This amount consists of capital assets net of accumulated depreciation.

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

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

Net Position Flow Assumption
The Authority may fund operations with a combination of cost-reimbursement grants and capital grants. Thus, both restricted and unrestricted net position may be available to finance expenditure. The Authority's policy is to first apply restricted resources, followed by unrestricted resources if necessary.

L. Vehicle Replacement Reserve

The Mendocino Council of Governments maintains vehicle and non-vehicle replacement reserve funds for the benefit of the Authority. The balance on June 30, 2024, was $594,627.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Deferred Outflows and Inflows of Resources

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

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

N. Pensions

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

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O. Contingencies

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

The Authority receives revenue from Federal, State and Local agencies that have requirements to be met when expending these revenues. If the requirements are not followed, the unauthorized expenditure would be a liability to be refunded to the appropriate agency.

The Authority is involved in various claims and litigation arising in the ordinary course of business. Authority management, based upon the opinion of legal counsel, is of the opinion that the ultimate resolution of such matters will not have a materially adverse effect on the Authority's financial position or results of operations.

The Authority made commitments to purchasing 5 vehicles for approximately $3,450,000 in fiscal year 24-25.

P. Prior Year Information

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's prior year financial statement from which this selected data was derived.

Q. Reclassifications

Certain balances at, and for the year ended June 30, 2023, were reclassified to conform with June 30, 2024, balances.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2024 consist of the following:

Specialized Services	$ 426,997
County of Mendocino	4,847,553
Cash deposit with banks	480,216
Petty cash	183
Total	$ 5,754,949

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

Credit Risk, Carrying Amount and Market Value of Investments
The Authority maintains specific cash deposits with the County and participates in the external investment pool of the County. The County is restricted by the state code in terms of the types of investments it can make. Furthermore, the County Treasurer has a written investment policy approved by the Board of Supervisors, which is more restrictive than the state code as to terms of maturity and type of investment. Also, the County has an investment committee that performs regulatory oversight for its pool, as required by California Government Code Section 27134.

The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool.

At June 30, 2024, the Authority's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the Authority's position in the pool.

Custodial Credit Risk
Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors.

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

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NOTE 3 - CASH AND INVESTMENTS (concluded)

The Authority, whose investments are held by the County, is a voluntary participant in the Local Agency Investment Fund (LAIF), which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements and amounts are based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

The Mendocino County Pool's holdings and cash in banks were not subject to the fair value hierarchy.

Restricted and Designated Cash and Equivalents
The Authority segregates certain cash and equivalents that have legal or the Board of Director's designated restrictions as to their uses. The Authority is required under the terms of specialized service contracts to segregate and maintain certain funds. The balance of these funds at June 30, 2024 was $1,704,513.

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NOTE 4 - CAPITAL ASSETS

Capital assets as of June 30, 2024 consist of the following:

	Beginning Balance	Additions	Adjustments	Ending Balance
Capital assets not being depr.:				
Land	$ 360,782	$ -	$ -	$ 360,782
Construction in progress	-	960,128	-	960,128
Total capital assets not being depreciated	360,782	960,128	-	1,320,910
Capital assets being depreciated:				
Facility	9,904,820	-	-	9,904,820
Staff vehicles	464,579	-	-	464,579
Radios, fare boxes, steps	1,548,904	1,990	-	1,550,894
Garage equipment	301,005	-	-	301,005
Shelters	539,817	-	-	539,817
Office equipment	410,069	1,800	-	411,869
Revenue vehicles	8,282,973	-	-	8,282,973
Total capital assets being deprec.	21,452,167	3,790	-	21,455,957
Less accumulated depreciation:				
Facility	(4,202,463)	(314,290)	(446)	(4,516,754)
Staff vehicles	(300,345)	(38,599)	-	(338,944)
Radios, fare boxes, steps	(976,114)	(168,405)	15,960	(1,144,519)
Garage equipment	(251,809)	(9,063)	1,449	(260,872)
Shelters	(504,691)	(12,676)	(2,909)	(517,367)
Office equipment	(360,793)	(18,554)	(3,372)	(379,346)
Revenue vehicles	(6,984,370)	(516,888)	(28,464)	(7,501,257)
Total accumulated depreciation	(13,580,585)	(1,078,475)	(17,782)	(14,659,059)
Total capital assets being depreciated, net	7,871,582	(1,074,685)	(17,782)	6,796,898
Capital assets, net	$ 8,232,364	$ (114,557)	$ (17,782)	$ 8,117,808

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The right to use asset activity for the year ending June 30, 2024 is as follows:

Right To Use Asset	Balance 06/30/23	Additions	Deletions	Balance 6/30/24
Right to use land space	$ 50,462	$ -	$ -	$ 50,462
Less accumulated amortization	(10,624)	(5,312)	-	(15,936)
Total net right to use asset, net of accumulated amortization	$ 39,838	$ (5,312)	$ -	$ 34,526

NOTE 5 - LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2024, are as follows:

	Beginning	Additions	Retirements	Balance	Due in one Year
Leases payable	$ 40,896	$ -	$ 4,937	$ 35,959	$ 5,087

NOTE 6 - LEASES

The Authority leases ground space with the City of Willits through December 31, 2031. The Authority uses the estimated incremental borrowing rate of 3%. The Authority has recorded a right to use asset with a net book value of $50,462 at June 30, 2024. Future minimum payments required under the above lease are as follows:

Year End June 30	Principal	Interest	Total
2025	$ 5,087	$ 1,009	$ 6,096
2026	5,242	854	6,096
2027	5,401	695	6,096
2028	5,565	531	6,096
2029	5,734	362	6,096
2030	5,909	187	6,096
2031	3,021	26	3,047
Totals	$ 35,959	$ 3,664	$ 39,623

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description

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

- Authority Miscellaneous

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

Benefits Provided

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

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

The Plan provisions and benefits in effect at June 30, 2024, are summarized as follows:

	Authority Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	60	62
Monthly benefits, as a % of eligible compensations	2.0%	2.0%
Required employee contribution rates	7%	6.75%
Required employer contribution rates	8.63%	7.47%

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and contribution rate of employees.

For the year ended June 30, 2024, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions - employer	$505,126

As of June 30, 2024, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$ 3,537,279

The Authority's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2023, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The Authority's proportionate share of the net pension liability for each Plan as of June 30, 2023 and 2022 was as follows:

Authority's Miscellaneous Plan	Miscellaneous
Proportion - June 30, 2022	.02769%
Proportion - June 30, 2023	.02835%
Change – Increase (Decrease)	.00066%

For the year ended June 30, 2024, the Authority recognized pension expense of $880,206. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions after measurement date	$ 505,126	$ -
Differences between actual and expected experience	180,703	28,031
Changes in assumptions	213,561	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	826,419	-
Difference between the employer's contributions and the employer's proportionate share of contributions.	17,188	101,536
Net differences between projected and actual earnings on plan investments	-	-
Total	$ 1,742,997	$ 129,567

The $505,126 amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2025	$ (402,123)
2026	(234,893)
2027	(454,856)
2028	(16,432)

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement period was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The collective total pension liability was based on the following assumptions:

Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Mortality rate table*	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies.

*The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website

Changes of Assumptions

There were no changes of assumptions for measurement date June 30, 2023.

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The expected real rates of return by asset class are as follows:

Asset Class (a)	Allocation	Real Return (a&b)
Global equity – cap weighted	30%	4.54%
Global equity – non-cap weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)
Total	100%	

(a) An expected inflation of 2.30% used for this period.
(b) Figures are based on the 2021-22 Asset Liability Management study.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$5,510,758
Current Discount Rate	6.90%
Net Pension Liability	$3,537,279
1% Increase	7.90%
Net Pension Liability	$1,912,936

Expected Average Remaining Service Lives (EARSL)

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

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NOTE 7 - DEFINED BENEFIT PENSION PLAN (concluded)

The EARSL for PERF C for the measurement period ending June 30, 2023, is 3.8 years, which was obtained by dividing the total service years of 600,538 (the sum of remaining service lifetimes of the active employees) by 160,073 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

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

NOTE 8 - DEFINED CONTRIBUTION PLAN

Defined contributions as of June 30, 2024 consist of the following:

CalPERS 457	$ 133,613

These plans covering all employees is a defined contribution plan that is also a deferred compensation plan established under the provisions of the Internal Revenue Code Section 457. Contributions to the plan are withdrawn before tax and the Authority will match up to 3% of the annual employee salary. Vesting is 100% immediate for both the employer and employee contributions. The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Authority's property, are not managed by the Authority and are not subject to claims by general creditors of the Authority, they have been excluded from these financial statements.

NOTE 9 - DEFERRED REVENUE

Deferred revenue at June 30, 2024 consisted of $612,823 in the Low Carbon Transit Operations Program. The Mendocino Council of Governments maintains vehicle and non-vehicle replacement reserve funds for the benefit of the Authority. Local Transportation funds are the source of the funds deposited in the reserve. The balance on June 30, 2024, was $594,627. The Authority became ineligible for the receipt of Local Transportation Funds in the year ending June 30, 2023 in the amount of $1,797,767 due to receiving of a large amount of Federal Grant funds. The Mendocino Council of Governments has reallocated these funds according to the Authority's claims. The 24-25 fiscal year allocation will be $1,517,099 and the balance of $280,668 is allocated for the 25-26 fiscal year.

NOTE 10 - FARE REVENUE RATIO

The Authority is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of 10%. The calculation of the fare revenue ratio for the year ended June 30, 2024, is as follows:

Fare revenues	$ 365,229
Operating expenses	$ 9,205,060
Less: depreciation	1,078,475
Less: cost of specialized services	-
Less: capital purchases	963,918
Less: contract and charter services, senior administration, maintenance labor and mobility management	-
Total	$ 7,162,667
Fare revenue ratio	5.1%

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NOTE 10 - FARE REVENUE RATIO (concluded)

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

NOTE 11 - RISK MANAGEMENT

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

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

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

Risk Coverage

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

For claims above that amount, CALTIP purchases excess coverage up to $5,000,000. During the fiscal year ended June 30, 2024, the Authority contributed $207,610 for coverage.

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

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

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

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NOTE 11 - RISK MANAGEMENT (concluded)

Self-Insurance

The Authority maintains liability accounts for employee benefits and self-insurance reserves. The balances of these liabilities at June 30, 2024 are as follows:

	2024
Liability	$ 18,415
Vehicle damage	6,464
Employee benefits	154,119
Cafeteria plan	13,502
Total	$ 192,500

Self-insurance for employee benefits includes unemployment insurance and an employees' cafeteria plan. Vehicle collision risks are partially self-insured by the Authority. Potential liability claims are insured by an insurance carrier, with a deductible of $25,000 per incident. Management believes there were sufficient reserves to fund these liabilities at June 30, 2024.

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

The Authority's actuary estimates for the ultimate unpaid losses incurred for vehicle collision and deductible on liability insurance was derived from the June 30, 2024 valuation report. The fiscal year ending June 30, 2024 estimate was $22,950.

NOTE 12 - CONCENTRATION

The Authority receives a substantial amount of revenue from the Mendocino Council of Governments under the Transportation Development Act and State Transit Assistance. The Transportation Development Act fund allocation is based on sales tax revenue. During the fiscal year ended June 30, 2024, the Authority received $3,918,899. This amounts to 42% of total revenue for the year.

NOTE 13 - PRIOR PERIOD ADJUSTMENT

The Authority became ineligible for the receipt of Local Transportation Funds in the year ending June 30, 2023 in the amount of $1,797,767 due to receiving of a large amount of Federal Grant funds. The Mendocino Council of Governments has reallocated these funds according to the Authority's claims.

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REQUIRED SUPPLEMENTAL INFORMATION

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Mendocino Transit Authority

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

As of June 30, 2024

Last 10 Years

Schedule of the Proportionate Share of the Net Pension Liability (Measurement Date)	Miscellaneous Plan 2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability	0.028350%	0.027690%	0.023060%	0.020010%	0.017540%	0.016230%	0.015404%	0.014549%	0.011889%	0.015799%
Proportionate share of the net pension liability	$ 3,537,279	$ 3,198,098	$ 1,247,312	$ 2,177,528	$ 1,797,406	$ 1,563,664	$ 1,527,654	$ 1,258,942	$ 816,711	$ 983,080
Covered - employee payroll	$ 3,031,830	$ 2,509,682	$ 2,214,796	$ 2,503,504	$ 2,546,696	$ 2,375,217	$ 2,154,914	$ 2,133,007	$ 2,119,045	$ 1,967,075
Proportionate share of the net pension liability as a percentage of covered payroll	116.67%	127.43%	56.32%	86.98%	70.58%	65.83%	70.89%	59.02%	38.54%	49.98%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	79.82%

NOTES TO SCHEDULE:

Fiscal year 2015 was the 1st year of implementation.

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

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Mendocino Transit Authority
SCHEDULE OF CONTRIBUTIONS
As of June 30, 2024
Last 10 Years

SCHEDULE OF CONTRIBUTIONS

Fiscal Year End	Miscellaneous Plan 2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 505,126	$ 482,883	$ 378,170	$ 315,229	$ 305,721	$ 254,376	$ 215,248	$ 184,327	$ 165,348	$ 164,914
Contributions in relation to the actuarially determined contributions	(505,126)	(482,883)	(378,170)	(315,229)	(305,721)	(254,376)	(215,264)	(184,327)	(165,348)	(164,914)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ (16)	$ -	$ -	$ -
Covered-employee payroll during the fiscal year	$ 3,370,826	$ 3,031,830	$ 2,509,682	$ 2,214,796	$ 2,503,504	$ 2,546,696	$ 2,375,217	$ 2,154,914	$ 2,133,007	$ 1,919,529
Contributions as a percentage of covered payroll	14.99%	15.93%	15.07%	14.23%	12.21%	9.99%	9.06%	8.55%	7.75%	8.59%

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

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

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

Independent Auditors' Report

Board of Directors
Mendocino Transit Authority
Ukiah, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Mendocino Transit Authority, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Mendocino Transit Authority's basic financial statements, and have issued our report thereon dated XX/XX/XX .

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Mendocino Transit Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, including the requirements of the California Transportation Development Act Code of regulations Sections 142257, 5554 and 6667 regulations as it applies to Local Transportation Purpose Funds noncompliance, which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with such provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the California Transportation Development Act Code of regulations Sections 142257, 5554 and 6667 as it applies to Local Transportation Purpose Funds and *Government Auditing Standards*.

Purpose of This Report

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

OConnor & Company

Novato, California

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3/17/2025
To be used only for management discussion purposes; engagement is incomplete; this draft is subject to final review and possible revision. **Report/Letter date is TENTATIVE-TBD**

MENDOCINO TRANSIT AUTHORITY

BOARD OF DIRECTORS & MANAGEMENT REPORT

JUNE 30, 2024

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To the Board of Directors
Mendocino Transit Authority
Ukiah, California

In planning and performing our audit of the financial statements of Mendocino Transit Authority as of and for the year ended June 30, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Mendocino Transit Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist Mendocino Transit Authority in implementing the recommendations.

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

We thank Mendocino Transit Authority's staff for its cooperation during our audit.

O'Connor & Company

Novato, California

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To the Board of Directors
Mendocino Transit Authority
Ukiah, California

We have audited the basic financial statements of Mendocino Transit Authority for the year ended June 30, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 17, 2024, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Mendocino Transit Authority. Such considerations were solely for the purpose of determining our audit procedures and not providing any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Mendocino Transit Authority are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered by Mendocino Transit Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The following pronouncements became effective, but did not have a material effect on the financial statements:

GASB 100 – Accounting Changes and Error Corrections

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the basic financial statements were:

- Capital asset lives and depreciation expense.
- Accrual and disclosure of compensated absences.
- Actuarial assumptions for pension liabilities.

Disclosures
The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements (Audit Adjustments)
Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were 2 audit adjustments. Management has corrected all such adjustments.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter received on XX/XX/XX.

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

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

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

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

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Current Year Observations

There were no current year observations.

Prior Year Observations

1. Lease Capitalization Policy

Observation:

Mendocino Transit Authority (the Authority) implemented Governmental Accounting Standards Board Statement No. 87, *Leases,* which became effective for the year ended June 30, 2022, and had immaterial effects on the financial statements. This new standard requires leases to be capitalized as intangible assets. In compliance with the new accounting statement, the Authority should consider formalizing a capitalization policy for leases like their capitalization policy for capital assets.

The Authority has not raised their capitalization policy for capital assets in many years.

Recommendation:

We recommended the Authority consider formalizing a capitalization policy for leases and IT subscription liabilities and the right to use assets over $75,000. The Authority should also consider increasing the capitalization policy for capital assets to $10,000.

Status:

This recommendation is in the process of being implemented.

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