

**WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY**

**(A Component Unit of Placer County
Transportation Planning Agency)**

Audited Financial Statements
and Compliance Reports

June 30, 2020

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

Audited Financial Statements
and Compliance Reports

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Western Placer Consolidated Transportation Services Agency
Auburn, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Placer Consolidated Transportation Services Agency (the Agency), a component unit of Placer County Transportation Planning Agency (PCTPA), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Western Placer Consolidated Transportation Services Agency

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows for the years 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2020 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 and the Transportation Development Act. 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.

Richardson & Company, LLP

December 23, 2020

WESTERN PLACER CONSOLIDATED TRANSPORTATION SERVICES AGENCY

Management's Discussion and Analysis
June 30, 2020

This section of Western Placer Consolidated Transportation Services Agency's (WPCTSA) basic financial statements presents management's overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2020. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

The Consolidated Transportation Service Agency designation was created by California law as a means of strengthening and coordinating the social service transportation programs of nonprofit organizations and, where appropriate, to serve as the focus for consolidation of functional elements of these programs, including the provision of transportation services. The WPCTSA Joint Powers Authority was created on October 13, 2008 by Placer County and the cities of Auburn, Colfax, Lincoln, Rocklin, and Roseville, and the Town of Loomis to provide these transportation programs. Under the Joint Powers Agreement that formed WPCTSA, Placer County Transportation Planning Agency (CTPA) is designated as the entity to provide administrative, accounting, and staffing support for WPCTSA.

FINANCIAL HIGHLIGHTS

- Total Assets \$1,012,267
- Total Liabilities \$1,012,267
- Total Net Position remains unchanged at zero
- Total Operating Revenues \$148,860
- Total Operating Expenses \$1,087,783
- Total Non-Operating Revenues \$1,268,923
- Total Non-Operating Expenses \$330,000

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to WPCTSA's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of WPCTSA.

The required financial statements include the Balance Sheet; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Notes to the financial statements and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of WPCTSA.

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 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 WPCTSA as a whole.

Statement of Revenues, Expenses and Changes in Net Position

This statement presents the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under the 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.

Statement of Cash Flows

This statement reflects inflows and outflows of cash, summarized by operating, capital, financing 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.

**WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY**

Management's Discussion and Analysis
June 30, 2020

FINANCIAL ANALYSIS

The following table compares the Statement of Net Position at June 30, 2020, June 30, 2019 and June 30, 2018:

Comparative Analysis of Current and Prior Year Net Assets

	2020	2019	2019 to 2020 Variance	2018	2018 to 2019 Variance
Current assets	\$ 1,012,267	\$ 997,855	\$ 14,412	\$ 1,047,884	\$ (50,029)
Current liabilities	1,012,267	997,855	14,412	1,047,884	(50,029)
Net position, unrestricted	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Current Assets – The current assets at June 30, 2020 increased by \$14,412 compared to the fiscal year ending June 30, 2019. The increase in assets was the result of the greater unspent cash reserves this fiscal year end.

Current Liabilities – The current liabilities at June 30, 2020 increased by \$14,412 compared to the fiscal year ending June 30, 2019. The increase in liabilities was attributable to increased Accounts Payable and Due to Other Agencies balance at fiscal year-end offset by an decrease in unearned revenues.

Net Position – Unrestricted net position, the part of equity that can be used to finance day-to-day operations without constraints was zero at June 30, 2020, 2019 and 2018. There was no change from the prior fiscal years. The Agency has no net position because its non-operating revenues are reflected as unearned until eligible expenditures are incurred.

The following table summarizes the Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ending June 30, 2020, June 30, 2019 and June 30, 2018:

Comparative Analysis of Current and Prior Year Activities and Balances

	2020	2019	2019 to 2020 Variance	2018	2018 to 2019 Variance
Operating revenues	\$ 148,860	\$ 148,860	\$ --	\$ 166,390	\$ (17,530)
Operating expenses	1,087,783	788,115	299,668	1,002,980	(214,865)
Operating Income (Loss)	(938,923)	(639,255)	(299,668)	(836,590)	197,335
Non-operating revenues	1,268,923	969,255	299,668	1,166,590	(197,335)
Non-operating expenses	330,000	330,000	--	330,000	--
Change in Net Position	--	--	--	--	--
Net Position, beginning	--	--	--	--	--
Net Position, ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Operating Revenues – Operating revenues for the fiscal year ending June 30, 2020 and 2019 was comprised of local match contributions from transit providers. There was no change from the prior fiscal year.

Operating Expenses – Operating expenses for the fiscal year ending June 30, 2020 increased by \$299,668 and reflects increased Health Express operating costs and planning for transportation improvements.

Non-Operating Revenues – Non-Operating revenues for the fiscal year ending June 30, 2020 increased by \$299,668 from the prior fiscal year mainly due to an increase in Local Transportation Funds revenue to offset the year's increased Operating Expenses.

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June 30, 2020

Non-Operating Expenses – Non-Operating expenses for the fiscal year ended June 30, 2020 from June 30, 2019 had zero variance and expenditures included the continuation of the contribution to the City of Roseville to cover a portion of the call center costs and the Transit Ambassador program.

ECONOMIC OUTLOOK

WPCTSA relies primarily on federal and state grants, local programs, and Transportation Development Act Local Transportation Funds (LTF) to fund its activities. LTF funds are derived from a portion of state sales tax dollars and are allocated to WPCTSA to be utilized for community-based transportation, including services for the elderly and disabled persons who are unable to use conventional transit services. Because LTF is dependent on sales tax collection, which is generated by consumer spending, the funding may fluctuate periodically.

WPCTSA adopts an annual budget for income and expenditures, based on many factors and projections for the coming year. As the actual income and expenses are finalized as each fiscal year progresses, refinements may be necessary and the budget will be amended accordingly.

As recent experience has demonstrated, local transportation fund revenues which serve as WPCTSA's primary source of non-operating revenue have fluctuated over the past several years due to the volatile economic climate. Despite this, WPCTSA remains fiscally stable. Management and the WPCTSA's Board of Directors remain conservative in their financial policies and have not budgeted for revenues that are not quantified; expenditures are managed carefully and adjustments made as conditions require.

WPCTSA is encouraged by development throughout the region and will continue to practice sound fiscal management, financial planning, investment management, budgeting and internal financial controls.

CONTACTING WPCTSA

This financial report was designed to provide a general overview of the WPCTSA's finances and to demonstrate WPCTSA's accountability for the funds it receives. Questions about this report should be directed to Western Placer Consolidated Transportation Services Agency, 299 Nevada Street, Auburn, CA 95603.

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,012,267	\$ 997,855
TOTAL ASSETS	\$ 1,012,267	\$ 997,855
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 84,547	\$ 35,433
Due to other governments	71,137	64,622
Unearned revenue	856,583	897,800
TOTAL CURRENT LIABILITIES	1,012,267	997,855
NET POSITION		
Unrestricted		
TOTAL NET POSITION		
TOTAL LIABILITIES AND NET POSITION	\$ 1,012,267	\$ 997,855

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

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Fare revenues and local contributions	\$ 148,860	\$ 148,860
TOTAL OPERATING REVENUES	148,860	148,860
OPERATING EXPENSES		
Administrative costs	324,758	164,315
Purchased transit:		
Health Express	577,212	381,532
My Rides Program	185,813	242,268
TOTAL OPERATING EXPENSES	1,087,783	788,115
NET LOSS FROM OPERATIONS	(938,923)	(639,255)
NONOPERATING REVENUES (EXPENSES)		
Local Transportation Fund allocation	1,151,954	862,935
State Transit Assistance Fund allocation	108,829	102,099
Interest revenue	8,140	4,221
South Placer Transit Information Call Center	(300,000)	(300,000)
Transit Ambassador Program	(30,000)	(30,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	938,923	639,255
CHANGE IN NET POSITION		
Net position, beginning of year		
NET POSITION, END OF YEAR	\$ -	\$ -

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

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from passengers and other users	\$ 148,860	\$ 148,860
Cash paid to suppliers for goods and services	(1,032,154)	(881,818)
NET CASH USED FOR OPERATING ACTIVITIES	(883,294)	(732,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	1,219,566	1,008,708
Payments to City of Roseville	(330,000)	(330,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	889,566	678,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earnings	8,140	4,221
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,140	4,221
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,412	(50,029)
Cash and cash equivalents, beginning of year	997,855	1,047,884
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,012,267	\$ 997,855
RECONCILIATION OF NET LOSS FROM OPERATIONS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Net loss from operations	\$ (938,923)	\$ (639,255)
Adjustments to reconcile net loss from operations to net cash used for operating activities:		
Changes in operating assets and liabilities:		
Accounts payable	49,114	(17,853)
Due to other governments	6,515	(75,850)
NET CASH USED FOR OPERATING ACTIVITIES	\$ (883,294)	\$ (732,958)

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

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Western Placer Consolidated Transportation Services Agency (the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles of the Agency are described below.

Description of Reporting Entity: The Agency is a joint powers agency formed October 13, 2008 and organized to provide social service transportation for the western portion of Placer County, including services for the elderly and individuals with disabilities who cannot use conventional public transit services.

The Agency is a blended component unit of the Placer County Transportation Planning Agency (PCTPA). The Agency is administered by a board of directors consisting of the board of directors of PCTPA serving in a separate capacity as the governing board of the Agency. The Agency is reported as a blended component unit because the PCTPA may impose its will on the Agency and it has the potential to provide financial benefits or burdens to the PCTPA.

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

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

The Agency uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. When such funds are received they are recorded as unearned revenues until earned. Transportation Development Act (TDA) revenues are recorded when all eligibility requirements have been met.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency are charges to customers for transportation services. Operating expenses include the cost of purchased transportation and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents: For the purposes of reporting cash flows, the Agency considers all cash and highly liquid investments purchased with an original maturity of three months or less and demand deposits to be cash equivalents.

Unearned Revenue: Unearned revenues arise when resources are received by the Agency before it has legal claim to them, such as when cost reimbursement grant and other intergovernmental revenues are received prior to the incurrence of qualifying expenses.

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

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category. The Agency had no investment in capital assets at June 30, 2020 and 2019.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Agency had no restricted net position at June 30, 2020 and 2019.

Unrestricted Net Position – This category represents net position of the Agency not restricted for any project or other purpose. Because the Agency has unexpended LTF revenues, no amounts are reported in unrestricted net position.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

All of the Agency's cash and cash equivalents consist of the amounts held in financial institutions.

Investment Policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The Agency does not have a formal investment policy.

The Agency's permissible investments under the Government Code included the following instruments:

- Securities of the U.S. Government or its agencies
- Time certificates of deposit
- Bankers' acceptances
- Commercial paper
- California Local Agency Investment Fund Deposits

WESTERN PLACER CONSOLIDATED
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NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE B – CASH AND CASH EQUIVALENTS (Continued)

- Passbook savings account demand deposits
- Repurchase agreements
- Medium Term Notes, minimum Moody’s rating of AA

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 California Government Code and the Agency’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2020, the carrying amount of the Agency’s deposits was \$1,012,267 and the balance in financial institutions was \$1,060,895. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the Agency and other governmental agencies, but not in the name of the Agency.

NOTE C – FARE REVENUE RATIO

The Agency is required under the Transportation Development Act to maintain a fare revenue to operating expenses ratio of at least 10% related to its Health Express transit service. The calculation of the fare revenue ratio for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Passenger fare revenues and local match contributions	\$ 60,000	\$ 60,000
Operating expenses	\$ 676,012	\$ 482,031
Fare revenue ratio	8.88%	12.45%

The Agency was not in compliance with the 10% minimum required fare revenue ratio at June 30, 2020. This is the first year of Agency noncompliance with the required fare revenue ratio percentage. Under Section 6633.9 of the California Code of Regulations, the first year the Agency fails to meet the required fare revenue ratio, which is the noncompliance, there is no change in eligibility. In the subsequent fiscal year, or determination year, there is no change in eligibility; however, the difference between the required and actual fare revenue to operating cost ratio as reported in the claimant’s fiscal audit must be determined. In the third year, or penalty year, the transit operator’s eligibility to receive monies from the local transportation and state transit assistance funds shall be reduced, for one year only, by the amount of the difference between the required fare revenues and the actual fare revenues in the determination year.

WESTERN PLACER CONSOLIDATED
TRANSPORTATION SERVICES AGENCY

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE C – FARE REVENUE RATIO (Continued)

Due to the COVID-19 outbreak, Assembly Bill No. 9 prohibits the imposition of this penalty on an operator that does not maintain the required ration of fare revenues to operating costs during the 2019-20 or 2020-21 fiscal year. The Agency was in compliance with the 10% minimum required fare revenue ratio at June 30, 2019.

NOTE D – UNEARNED REVENUES

The LTF allocates monies to the transit system to support operations. LTF allocations are considered earned when they are properly spent for operations by the transit system. It is the current practice of the PCTPA to have excess revenue returned to the funding agency or redesignated as subsequent year allocations. The maximum amount allowed is based on operating costs after certain adjustments. Allocations in excess of this amount are recorded as unearned revenue. At June 30, 2020 and 2019, maximum eligibility for operating LTF allocations was determined as follows:

	2020	2019
LTF Allocations	\$ 1,110,737	\$ 906,609
Maximum Amount Allowed:		
Operating expenses	1,087,783	788,115
Contributions to other agencies	330,000	330,000
Adjustments:		
Fare revenues and local match contributions	(148,860)	(148,860)
STA allocations	(108,829)	(102,099)
Interest revenues	(8,140)	(4,221)
Maximum amount allowed	1,151,954	862,935
Net expenses (over) under maximum	(41,217)	43,674
Unearned revenues, beginning of year	897,800	854,126
Unearned revenues, end of year	\$ 856,583	\$ 897,800

NOTE E – RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Agency maintains commercial insurance policies through third-parties. There have been no significant reductions in insurance coverage from coverage in the prior fiscal year. Also, there have not been any settlements in excess of the insurance coverage for the past three fiscal years.

WESTERN PLACER CONSOLIDATED
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NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2020 and 2019

NOTE F – CONTINGENCY

COVID-19 Pandemic: The spread of the novel strain of coronavirus (known as “COVID-19”) has had significant negative impacts throughout the world, including California. The World Health Organization declared the COVID-19 outbreak to be a pandemic in March 2020, and states of emergency have been declared by the United States, the State of California, and numerous counties throughout the State, including Placer County. Impacts of the COVID-19 outbreak to the Agency include, but are not limited to, an increase in wages and benefits costs associated with COVID-related employee leave and/or quarantine. Further, an economic downturn affecting the Agency’s service area could have an adverse impact on the future collection of revenue sources.

COMPLIANCE REPORTS

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* AND THE TRANSPORTATION DEVELOPMENT ACT

To the Board of Directors
Western Placer Consolidated Transportation Services Agency
Auburn, 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 Western Placer Consolidated Transportation Services 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 December 23, 2020.

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 opinion 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 Agency'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 may exist that have not been identified.

To the Board of Directors
Western Placer Consolidated Transportation Services Agency

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. Our audit was further made to determine that Transportation Development Act (TDA) Funds allocated and received by the Agency were expended in conformance with the applicable statutes, rules and regulations of the TDA and Section 6667 of the California Code of Regulations. 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* and the TDA.

Purpose of this Report

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

Richardson & Company, LLP

December 23, 2020