

**EASTERN CONTRA COSTA  
TRANSIT AUTHORITY  
ANTIOCH, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**PREPARED BY THE FINANCE DEPARTMENT**

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EAST CONTRA COSTA TRANSIT AUTHORITY

BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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**EAST CONTRA COSTA TRANSIT AUTHORITY**

**BASIC FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Eastern Contra Costa Transit Authority  
Antioch, California

### *Report on Financial Statements*

We have audited the accompanying basic financial statements of Eastern Contra Costa Transit Authority (Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Authority as of June 30, 2013, and changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 63-*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective during the year ended June 30, 2013, and required certain title changes to the Statement of Net Position and Statement of Changes in Net Position.

The emphasis of this matter does not constitute a modification to our opinions.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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 August 30, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

The prior year comparative information has been derived from Eastern Contra Costa Transit Authority's 2012 financial statements, which were audited by other auditors, whose unmodified opinion is dated September 28, 2012.



Pleasant Hill, California  
August 30, 2013

## Management's Discussion and Analysis

This discussion and analysis of the Eastern Contra Costa Transit Authority's financial performance provides an overview of the Authority's financial activities for Fiscal Year 2013 including comparisons to prior fiscal years. This information should be considered in conjunction with the statements and notes contained in the Financial Section.

### **Financial Highlights**

- At June 30, 2013, total assets were \$33M vs. \$25M the previous fiscal year end. Total assets increased \$8M or 32% for the year. Total current assets decreased from \$7.4M to \$7.2M in the same period of time. Capital assets, net of depreciation increased during the fiscal year from \$17M to \$26M.
- Total liabilities also increased during FY13 from \$2.8M to \$5.5M. The increase was essentially all from current liabilities.
- In FY13 the Authority saw an increase in program operating revenues of a half of a million dollars over FY12 from \$3.3M to \$3.8M.
- Program operating expenses increased \$400 thousand dollars during the year from \$23.0M to \$23.4M.
- Non-operating revenues increased \$600 thousand from \$16.4M in FY12 to \$17.0M in FY13.
- Net position increased from \$21.9M to \$27.6M during FY13.

### **Overview of the Financial Statements**

The Financial Section of this report presents the Authority's financial statements including the basic financial statements and the notes to those financial statements. It also includes other, supplemental information in addition to the basic financial statements.

#### **Basic Financial Statements**

The *Statements of Net Position* presents information about the assets and deferred outflows and liabilities and deferred inflows and the difference as *net position*. The change in net position over time indicates whether the Authority's financial position is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* indicates how net position has changed during the fiscal year as well as compares operating revenues and operating expenses between the current and prior fiscal years. The operating revenues and expenses shown here are the financial activities of the Authority related to the Authority's mission of providing public transportation services in Eastern Contra Costa County. The expenses and revenues reported include fares and advertising revenues along with the cost of passenger services, administration of those services, services that have been contracted out and depreciation of capital assets. All other revenues and expenses not included within these categories are reported as non-operating revenues and expenses.

The *Statement of Cash Flows* reports the inflow and outflow of cash at the Authority. Such activity is classified into four major components.

- *Cash flows from operating activities* including transactions reported as components of operating income in the statement of revenues, expenses and changes in net position.
- *Cash flows from investing activities* include interest and similar returns on funds invested while held by the Authority.
- *Cash flows from non-capital financing activities* includes operating grant funding received as well as operating payments from third parties and non-operating items.
- *Cash flows from capital and related financing activities* come from the procurement of capital assets and the proceeds of capital grants.

**Notes to the Financial Statements**

Immediately following the basic financial statements are various notes intended to provide additional information that are essential for the reader to gain a full understanding of the information provided within the financial statements.

**Other Information**

This section presents required supplementary information meeting GASB requirements.

**Analysis of Basic Financial Statements**

➤ **Assets (in thousands):**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Current Assets	\$ 7,155	\$ 7,417	\$ (262)	-4%
Net Capital Assets	25,854	17,294	8,560	49%
<b>Total Assets:</b>	<b>\$33,009</b>	<b>\$24,711</b>	<b>\$8,298</b>	<b>34%</b>

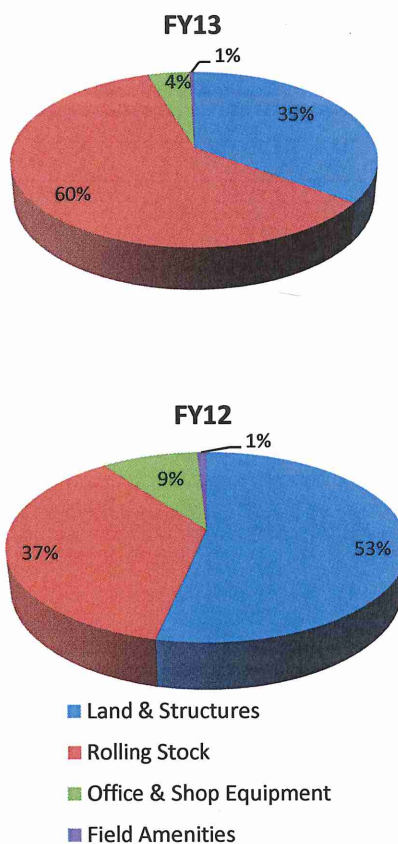
The 4% decrease in current assets from FY2012 to FY2013 was the result of the expenditure of restricted funds on replacement rolling stock during FY13, partially offset by increased cash on hand at year end.

The 49% increase in net capital assets in FY2013 from FY2012 was due primarily to the acquisition of 25 new fixed route vehicles to replace thirty fully depreciated revenue vehicles that were at the end of their useful life. The cost of this acquisition was \$11M.

Rolling Stock and Land & Structures comprise the majority of the Authority’s capital assets.



## NET CAPITAL ASSETS



Please see Note 4 of the notes to the Basic Financial Statements for further information on the Authority's capital assets.

➤ **Liabilities:**

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Current Liabilities	\$5,243	\$2,617	\$2,626	100%
<u>Non-Current Liabilities</u>	<u>215</u>	<u>180</u>	<u>35</u>	<u>19%</u>
<b>Total Liabilities:</b>	<b>\$5,458</b>	<b>\$2,797</b>	<b>\$2,661</b>	<b>95%</b>

The increase in current liabilities from FY12 to FY13 is due to a 100% increase in trade accounts payable at YE 2013. This increase in trade payables was due to outstanding capital procurement invoices from the vendor of the twenty five buses that had been purchased and delivered but not yet approved for final payment just before year end.

➤ **Net Position:**

The Authority's net position increased from \$22M at year end FY2012 to \$28M at June 30<sup>th</sup> 2013. This reflects the receipt of capital funds during FY13 that were applied to capital projects during the year.

➤ **Operating Revenue:**

The Authority recognized a half million dollars in increased operating revenues in FY13 compared to FY12 almost all from an increase in fare revenues. Fixed route fare revenue growth of 15% was the result of increased ridership, full year realization of the general fare increase from February of 2012 and, improved fare collections using the new GFI fare boxes. Average FR fare per passenger grew from \$1.04 in FY12 to \$1.08 in FY13.

➤ **Operating Expense:**

The Authority saw a 4% increase in operating expense (excluding depreciation expense) in FY13 over FY12. The major component of that increase was \$536 in increased Purchased Transportation (PT) costs. PT fixed and variable component costs increased by more than 3% according to the contractual terms effective July 1, 2012. And, the Authority experienced a 4% increase in billable hours in FY13 over FY12. The majority of that increase in billable hours was for Dial-a-Ride services in order to meet the demand.

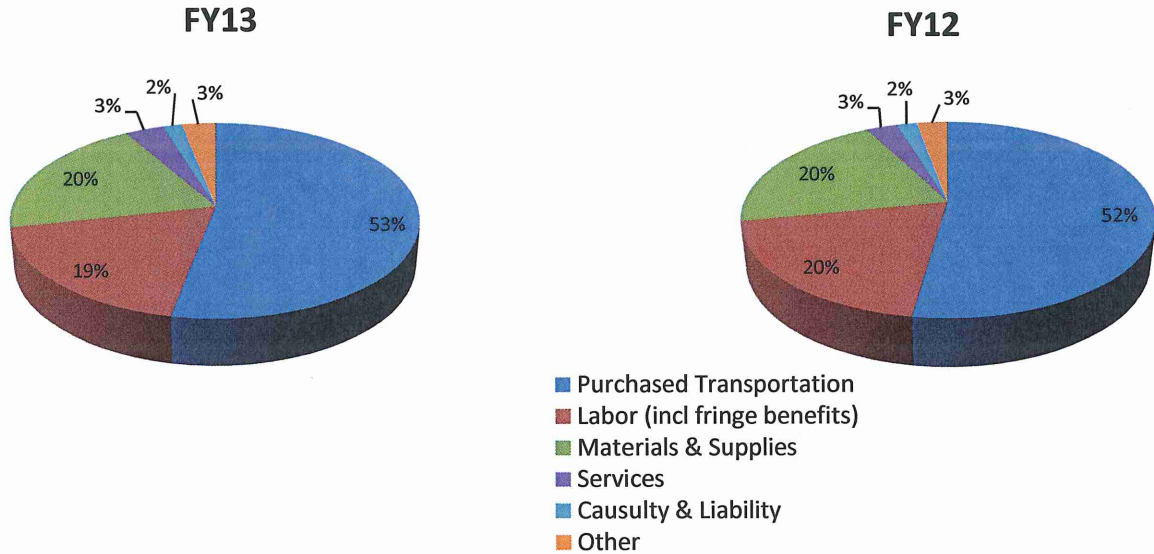
The small savings in labor for FY13 over FY12 was due to the Authority not filling a position which became vacant during the year. The Authority has continued to leave this position unfilled going forward in an effort to hold down fixed overhead costs.

The \$165 thousand increase in Service costs from FY12 to FY13 represents the increasing costs the Authority has incurred in securing maintenance and support for the various components of the intelligent transportation systems the Authority has deployed over the last several years. These are recurring, annual charges from the vendors of the hardware and software that the Authority has purchased.

**Operating Expenses**  
(*\$thousands*)

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Purchased Transportation	\$11,028	\$10,492	\$536	5%
Labor & Fringe Benefits	3,861	3,911	-50	-1%
Materials & Supplies	4,153	4,103	50	1%
Services	737	572	165	29%
Casualty & Liability	371	386	-15	-4%
<u>Other</u>	<u>631</u>	<u>576</u>	<u>55</u>	<u>9%</u>
<b>Total Operating Cost</b>	<b>\$20,781</b>	<b>\$20,040</b>	<b>\$741</b>	<b>4%</b>

## COMPARATIVE OPERATING COSTS



➤ **Non-Operating Revenues/(Expenses):**

Grant revenues increased by \$266 thousand in FY13 over FY12 with an additional \$677 thousand in federal and \$1.2M in State Transit Assistance operating funds available being offset by a similar reduction in the use of State Transportation Development Act funds for operating purposes in FY13 contributing to the rebuilding of a TDA reserve for the Authority.

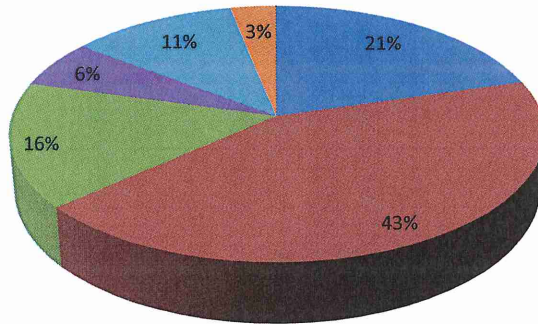
The Authority received an additional \$130 thousand in Measure J funding and \$155 thousand increase in BART "feeder" bus funding in FY13 compared to FY12. The Authority anticipates that the BART shared funding will increase a similar amount in FY14 but not the Measure J funding.

### Funds Expended on Operations (*\$thousands*)

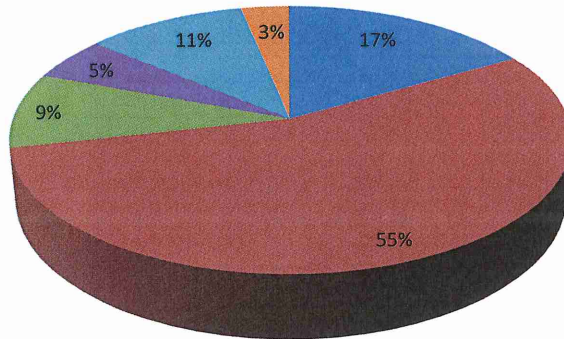
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
<b>Federal Funds</b>	\$ 3,495	\$ 2,818	\$ 677	24%
<b>TDA Funds</b>	7,320	9,170	(1,850)	-20%
<b>STA Funds</b>	2,681	1,527	1,154	76%
<b>Measure J Funding</b>	1,018	888	130	15%
<b>BART "feeder bus" Funding</b>	1,964	1,809	155	9%
<b>RM2 Funding</b>	<u>532</u>	<u>532</u>	0	0%
<b>Total Operating Funds Received</b>	<b>\$17,010</b>	<b>\$16,744</b>	<b>\$ 266</b>	<b>2%</b>

## FUNDS EXPENDED ON OPERATIONS

**FY13**



**FY12**



- Federal Funds
- TDA Funds
- STA Funds
- Measure J Funding
- BART "feeder bus" Funding
- RM2 Funding

The Authority received non-transportation revenues of \$7,272 in FY13. The loss on sale of equipment in FY12 was a one-time occurrence. It was due to demand responsive vans being sold in the final year of their useful life before all depreciation had been expensed. This anomaly distorts any top line comparison of non-transportation revenues/(expenses) between FY13 and FY12.

**Capital Activity:**

The Authority expended more than \$11M on capital procurements in FY13. \$7.5M was from federal fund sources, \$3M from state funds and \$666 thousand was sourced through local funds derived from bridge toll revenue. Most of the capital expended was for the procurement of twenty five, fixed route buses to replace thirty of the oldest buses in the FR fleet. The Authority has reduced its fleet size to comply with federal mandates for no more than a 20% spare ratio during maximum deployment periods.

<b>Capital Project</b>	<b>FY13 Expenditure (\$thousands)</b>
25 Fixed Route Buses & Accessories	\$11,075
Park and Ride Projects (fees, A&E)	\$ 92
Security & Disaster Recovery Program	\$ 50
Shelters	\$ 2
<b>Total Capital Expenditures:</b>	<b>\$11,219</b>

The Authority anticipates that adequate capital funding will be available over the next five or ten years to allow for necessary rolling stock replacement and capitalized facility maintenance. However, funding for expansion, construction of park and ride lots or other capital projects is another matter.

**Operational Considerations**

The general economy has improved during FY13. Unemployment is down and the equities markets are up. ECCTA has seen an increase in fixed route ridership along with an increase in traffic congestion. The overall system efficiency improved as measured in total passenger trips provided or the number of passengers carried per revenue hour of service or the cost of each passenger trip.

**Selected Measurements of Operational Efficiency**

	<b>2013</b>	<b>2012</b>	<b>Change</b>	<b>%</b>
Total FR passenger trips	2,740,834	2,431,768	309,066	13%
Total DR passenger trips	128,999	130,619	(1,620)	-1%
FR passengers/rev hr	17.7	15.9	1.8	11%
DR passengers/rev hr	1.9	2.0	(0.1)	-5%
\$cost/passenger	\$7.24	\$7.82	(\$0.58)	-7%

Tri Delta Transit was able to improve passenger efficiency with the increased loads as evidenced in the chart above. The 7% improvement in the cost of each passenger trip is evidence of the Authority's determination to improve system wide efficiencies in the delivery of public transportation to the service area.

## **Subsequent Events**

The lack of long term commitments for future funding amounts and sources continues to be of concern to the Authority. Overall funding available has increased historically but this does not guarantee continued increases. Cuts in public transit funding are frequent headline topics. This is particularly applicable to the large amounts of federal funding the Authority receives due to delays in annual congressional program appropriations as well as limitations on expenditures of such funds imposed by the Metropolitan Transportation Commission as the designated recipient of federal funds to the region.

The Authority continually monitors operational costs in an effort to contain them and rebuild the Authority's TDA reserves which were utilized in preceding years during the nationwide economic downturn to sustain the Authority's services.

Increasing employee benefit costs are of concern to the Authority, particularly health care benefits and worker's compensation costs. The Authority is engaged in controlling these costs while providing necessary benefits so as to retain qualified and experienced employees. The Authority has not increased personnel since two positions were eliminated in 2009. The Authority operated with one vacant position during much of FY13 and plans to do so into FY14 as a cost saving measure.

The paratransit eligible population of the Authority's service area continues to grow and meeting the demand for paratransit services as well as the comparative higher cost of providing demand responsive services remains a concern. This is true for all publicly funded, transit operators who are required to provide complimentary paratransit services. This issue is best addressed on a national level.

## **Requests for Information**

This financial report was created to provide citizens, taxpayers, as well as the Authority's customers and creditors with a general overview of the Authority's finances. It is also designed to demonstrate agency accountability for appropriate use of public funds that the Authority receives. Any questions or requests for additional information can be made to:

The Eastern Contra Costa Transit Authority  
Attn: CFO  
801 Wilbur Avenue  
Antioch, CA 94590  
(925) 754-6622  
[comment@eccta.org](mailto:comment@eccta.org)

Copies of this report are available online: <http://www.trideltatransit.com/public.aspx>

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Current Assets		
Unrestricted assets:		
Cash and equivalents (Note 3)	\$2,311,268	\$1,177,592
Operating assistance receivable	3,255,471	1,938,041
Capital grants receivable	658,746	524,393
Accounts receivable	151,091	127,563
Maintenance inventories and supplies, at cost	698,779	647,700
Total unrestricted assets	7,075,355	4,415,289
Restricted cash and equivalents (Note 3):		
PTMISEA reserves (Note 8)	31,909	2,953,894
CTSGP reserves	47,454	47,445
Total restricted assets	79,363	3,001,339
Total Current Assets	7,154,718	7,416,628
Non-Current Assets		
Capital assets (Note 4):		
Non-depreciable	2,445,157	2,432,123
Depreciable, net of accumulated depreciation	23,409,414	14,862,227
Total Non-Current Assets	25,854,571	17,294,350
Total Assets	33,009,289	24,710,978
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	4,860,403	2,255,343
Accrued liabilities	382,445	361,828
Total Current Liabilities	5,242,848	2,617,171
Non-Current Liabilities		
Other Post Employment Benefit Obligation (Note 10C)	215,000	180,000
Total Liabilities	5,457,848	2,797,171
<b>NET POSITION (Note 2G)</b>		
Net investment in capital assets	25,854,571	17,294,350
Restricted for:		
PTMISEA projects	31,909	2,953,894
CTSGP projects	47,454	47,445
Unrestricted	1,617,507	1,618,118
Net Position	\$27,551,441	\$21,913,807

See accompanying notes to basic financial statements

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
PROGRAM OPERATING REVENUES		
Passenger fares	\$3,439,726	\$2,983,275
Other operating income	<u>325,179</u>	<u>273,173</u>
Total Program Operating Revenues	<u>3,764,905</u>	<u>3,256,448</u>
PROGRAM OPERATING EXPENSES		
Purchased transportation	11,028,322	10,491,825
Materials and supplies	4,153,238	4,103,438
Salaries and benefits	3,861,347	3,911,248
Services	737,072	571,883
Casualty and liability insurance	371,250	386,028
Utilities	192,960	194,979
Other	437,906	381,502
Depreciation (Note 4)	<u>2,658,532</u>	<u>2,980,021</u>
Total Program Operating Expenses	<u>23,440,627</u>	<u>23,020,924</u>
PROGRAM OPERATING LOSS	(19,675,722)	(19,764,476)
NON-OPERATING REVENUES (EXPENSES)		
Federal grant revenues	3,494,880	2,818,467
State grant revenues	10,001,345	10,697,274
Local grant revenues	3,513,694	3,228,151
Non-transportation revenues	7,272	24,913
Gain (loss) on sale of equipment	<u>                    </u>	<u>(377,192)</u>
Net Non-Operating Revenues, Before Capital Contributions (Grants)	<u>17,017,191</u>	<u>16,391,613</u>
Capital Contributions (Grants)	<u>8,296,165</u>	<u>6,337,420</u>
Net Non-Operating Revenues and Capital Contributions	<u>25,313,356</u>	<u>22,729,033</u>
CHANGE IN NET POSITION	5,637,634	2,964,557
NET POSITION AT BEGINNING OF YEAR	<u>21,913,807</u>	<u>18,949,250</u>
NET POSITION AT END OF YEAR	<u><u>\$27,551,441</u></u>	<u><u>\$21,913,807</u></u>

See accompanying notes to basic financial statements



EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from passenger fares	\$3,416,198	\$2,953,620
Cash received from operations - other	325,179	273,173
Cash payments for purchased transportation	(11,028,322)	(10,464,911)
Payments to and on behalf of employees	(3,826,347)	(3,878,351)
Payments to suppliers for goods and services	<u>(3,317,828)</u>	<u>(5,575,493)</u>
Net cash provided (used) by operating activities	<u>(14,431,120)</u>	<u>(16,691,962)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income received	<u>6,404</u>	<u>15,650</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State operating grants	9,866,992	10,657,565
FTA grants	3,494,880	2,818,467
Local grants	2,196,264	3,228,151
Other	<u>868</u>	<u>25,469</u>
Net cash provided by noncapital and financing activities	<u>15,559,004</u>	<u>16,729,652</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital contributions received	11,218,141	3,775,460
Purchase of capital assets	<u>(11,218,753)</u>	<u>(4,092,363)</u>
Net cash provided (used) by capital and related financing activities	<u>(612)</u>	<u>(316,903)</u>
<b>NET CASH FLOWS</b>	1,133,676	(263,563)
<b>CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	<u>1,177,592</u>	<u>1,441,155</u>
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	<u><u>\$2,311,268</u></u>	<u><u>\$1,177,592</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating loss	(\$19,675,722)	(\$19,764,476)
Depreciation expense	2,658,532	2,980,021
Change in assets and liabilities:		
Other receivables	(23,528)	(29,655)
Maintenance inventories and supplies	(51,079)	
Accounts payable	2,605,060	69,633
Accrued liabilities	20,617	52,515
Other post employment benefit obligation	<u>35,000</u>	
	<u><u>(\$14,431,120)</u></u>	<u><u>(\$16,691,962)</u></u>

See accompanying notes to basic financial statements

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**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 1 - GENERAL**

The Eastern Contra Costa Transit Authority (Authority), also known as Tri Delta Transit, was created August 3, 1976 under a joint exercise of powers agreement between the cities of Antioch, Pittsburg, Brentwood, and Contra Costa County, for the purpose of meeting the public transportation needs in Eastern Contra Costa County. The Authority is governed by a board of Directors composed of representatives of the member jurisdictions. The joint exercise of powers agreement was amended on April 26, 2000 to include the recently incorporated City of Oakley.

The Authority's reporting entity includes all activities of the Authority.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies of the Authority, which conform with generally accepted accounting principles applicable to governments in the United States of America.

**A. *Enterprise Fund Accounting***

The Authority is accounted for as an enterprise fund. This fund is a set of self-balancing accounts, which comprise its assets and deferred outflows, liabilities and deferred inflows, net position, revenues and expenses.

**B. *Basis of Accounting***

Basis of accounting refers to *when* revenues and expenses are recognized. The Authority is accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

*Non-exchange transactions*, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**C. *Basis of Presentation***

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Authority are charges to customers for farebox revenues. The Authority's *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

<b>NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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**D.     *Cash Equivalents***

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**E.     *Risk Management***

The Authority requires its operations contractor, First Transit, Inc., to provide general liability coverage. First Transit provides insurance with primary coverage of \$20,000,000 in aggregate. In addition, the Authority is insured for premises and operational bodily injury and property damage up to a limit of \$12,100,000.

**F.     *Compensated Absences***

Full-time permanent employees are granted personal time off (PTO) benefits in varying amounts to specified maximums, depending on their tenure with the Authority. PTO accrues to employees to specified maximums after six months of service. The estimated current portion of the liability for PTO benefits is recorded as an expenditure with a corresponding liability.

**G.     *Net Position***

Net Position is the excess of all the Authority's assets and deferred outflows over all its liabilities and deferred inflows. Net Position are divided into three captions and apply only to Net Position as described below:

*Net Investment in Capital Assets* describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. The Authority's Restricted Net Position is for unexpended funds received from PTMISEA and CTSGP.

*Unrestricted* describes the portion of Net Position which is not restricted to use.

**H.     *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. New Accounting Pronouncements**

The Authority has implemented the requirements of the following GASB Pronouncement:

**GASB Statement No. 63** – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. This Statement required certain financial statement titles and classification of fund equity to be changed in the financial statements for fiscal year ending June 30, 2013.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution.

**A. Cash and Cash Equivalents**

The Authority's unrestricted cash consists of time and demand deposits and petty cash held at the Authority's administrative office.

The Authority's restricted assets, which consist of certificates of deposit with Bank of Agriculture and Commerce, are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

Cash and cash equivalents for the years ended June 30, 2013 and 2012 consisted of the following:

	2013	2012
Unrestricted cash:		
Deposits in financial institutions	\$2,310,686	\$1,177,083
Cash on hand at Authority	582	509
Total unrestricted cash and equivalents	2,311,268	1,177,592
Restricted - certificates of deposit:		
PTMISEA reserve	31,909	2,953,894
CTSGBP reserve	47,454	47,445
Total restricted cash and equivalents	79,363	3,001,339
Total Cash and Equivalents	\$2,390,631	\$4,178,931

**B. *PTMISEA Reserve***

The Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA) is one of the programs included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006 (see Note 8). The Authority is applying these funds to eligible capital expenditures for bus replacements. The balance at June 30, 2013 and 2012 was \$31,909 and \$2,953,894, respectively.

**C. *CTSGBP Reserve***

The California Transit Security Grant Program (CTSGBP) California Transit Assistance Fund is another program included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006 (Note 8). The Authority is applying these funds to eligible capital expenditures for interoperable communications and physical security enhancement equipment. The balance at June 30, 2013 and 2012 was \$47,454 and \$47,445, respectively.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 4 – CAPITAL ASSETS**

Capital assets of the Authority consist of land, transit and service vehicles, buildings and improvements, and equipment. Capital assets are recorded at cost and depreciated over their estimated useful lives. The Authority’s policy is to capitalize all assets when costs exceed \$5,000.

Depreciation of capital assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives as follows:

Building and improvements	30 years
Transit vehicles	4-14 years
Shop, office and other equipment	5–10 years

**A. Capital Asset Activity**

Capital assets activity during fiscal year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Balance June 30, 2013
Capital assets not being depreciated:			
Land	\$2,432,123	\$13,034	\$2,445,157
Total capital assets not being depreciated	<u>2,432,123</u>	<u>13,034</u>	<u>2,445,157</u>
Capital assets being depreciated:			
Buildings and improvements	12,620,632	94,506	12,715,138
Transit vehicles	28,053,400	11,074,616	39,128,016
Equipment	3,505,810	36,597	3,542,407
Total capital assets being depreciated	<u>44,179,842</u>	<u>11,205,719</u>	<u>55,385,561</u>
Less accumulated depreciation for:			
Buildings and improvements	5,686,682	248,580	5,935,262
Transit vehicles	21,748,955	1,797,009	23,545,964
Equipment	1,881,978	612,943	2,494,921
Total accumulated depreciation	<u>29,317,615</u>	<u>2,658,532</u>	<u>31,976,147</u>
Total depreciable assets	<u>14,862,227</u>	<u>8,547,187</u>	<u>23,409,414</u>
Capital assets, net	<u>\$17,294,350</u>	<u>\$8,560,221</u>	<u>\$25,854,571</u>

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 4 – CAPITAL ASSETS (Continued)**

***B. Capital Contributions***

The Authority has grant contracts with the U.S. Department of Transportation through the Federal Transit Administration for certain capital improvements. Federal Transit Administration funds are used to replace and improve the Authority's buses and transit facilities. The Authority also has contracts with the Transportation Development Act of 1971 (TDA) and State Transit Assistance (STA) funds, which are used to match Federal Transit Administration grants or to fund transit improvement projects. Capital funding provided under government grants is considered earned as the allowable expenditures are incurred.

Grants for property and equipment acquisition and facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expenses as capital contributions.

**NOTE 5 – OPERATING GRANTS**

The authority records operating assistance grants as revenue when earned.

***A. TDA and STA Operating Assistance***

The Authority receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971 and State Transit Assistance (STA) funds. These funds are generated within Contra Costa County and are allocated based on annual claims filed by the Authority and approved by the Metropolitan Transportation Commission (MTC). Generally, the maximum annual TDA assistance the Authority can receive is limited to its actual operating costs (excluding depreciation) less fare revenues received and other local operating assistance (including interest income).

For the years ended June 30, 2013 and 2012, the maximum TDA operating assistance eligibility was \$7,319,863 and \$9,170,133, respectively. During the year ended June 30, 2013, the TDA operating funds received was \$8,728,315, resulting in an excess amount received of \$1,408,452. The Authority reduced the TDA Operating Receivable at June 30, 2013 in the amount of the excess (see Note 9).

***B. Inter Operator Agreements***

The Authority receives funding through an arrangement with Bay Area Rapid Transit (BART) for operating assistance applied to certain "feeder bus" services to the Pittsburg/Bay Point BART station. The Authority took over and incorporated such services from BART in 1997 (as detailed in the schedule below).



**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 5 – OPERATING GRANTS (Continued)**

**C. Regional Measure 2 Funds**

On March 2, 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by \$1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding. The Bay Area Toll Authority (BATA) is responsible for the collection of the bridge tolls and MTC is responsible for administering the RM2 Program. The Authority is an eligible recipient for RM2 funds and received \$531,835 in RM2 funding during fiscal year ended June 30, 2013 and 2012, respectively. The Authority utilized the RM2 funds as operating assistance on a specific, express bus route per the program's requirements.

Operating assistance for the years ended June 30 are summarized as follows:

	2013	2012
Federal Transit Administration	\$3,494,880	\$2,818,467
Transportation Development Act	7,319,863	9,170,133
State Transit Assistance	2,681,482	1,527,141
Inter-operator agreements (BART)	1,963,547	1,808,581
Measure J	1,018,312	887,735
Regional Measure 2	531,835	531,835
Total	\$17,009,919	\$16,743,892

**NOTE 6 - CAPITAL GRANTS**

The Authority has received grants from the Federal Transit Administration (FTA) and grants of local transportation funds pursuant to the Transportation Development Act of 1971 (TDA) for the purchase of buses, facility improvements, furniture and fixtures, and supporting equipment.

Expenditures of capital grant funds are allocated based on annual claims filed by the Authority and approved by the MTC. The Authority's management believes that the remaining grants available will be approved in full. These grants (excluding Measure J), less the related amortization, are included in capital contributions.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 6 - CAPITAL GRANTS (Continued)**

The Authority's capital contributions for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
U.S. Department of Transportation grant awards	\$11,038,402	\$5,385,421
Less: funds used for operating costs	(3,494,880)	(2,596,311)
<i>Sub-total:</i>	7,543,522	2,789,110
State grants	2,994,659	933,915
Other	679,960	566,829
<i>Total Capital Contributions</i>	\$11,218,141	\$4,289,854

**NOTE 7 – MEASURE J**

In November 2004, Contra Costa County voters approved Measure J which provided for the continuation of a County half-cent transportation sales tax for 25 more years beyond the original expiration date of 2009 (Measure C). Measure J funding is administered by the Contra Costa Transportation Authority (CCTA). The Authority records Contra Costa County Measure J grants for operations and for capital projects as revenue and capital contributions, respectively, as received.

The Authority is an eligible recipient of Measure J funds and received \$1,123,424 and \$928,709 in Measure J operating assistance during fiscal years ended June 30, 2013 and 2012, respectively, of which \$1,018,312 and \$887,735, respectively, were applied to specific fixed route and para-transit bus services per CCTA's approved program. The remaining amount of \$105,112 and \$94,974 of Measure J funds for 2013 and 2012, respectively, were "passed through" to the Central Contra Costa Transit Authority (CCCTA) according to an inter-operator agreement that all three agencies entered into to provide Countywide express bus services.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 8 – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT**

The Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA) is one of the programs included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006. During the fiscal year ended June 30, 2010, the Authority applied for and received \$1,802,885 for the procurement of California Air Resource Board (CARB) compliant diesel buses. During the year ended June 30, 2012, the Authority applied for and received \$2,922,016. The activity during the last four fiscal years was as follows:

	2013	2012	2011	2010
PTMISEA beginning balance	\$2,953,894	\$924,964	\$1,087,792	
PTMISEA Funds Received		2,922,016		\$1,082,885
Interest Earned	13,911	1,680	5,814	4,907
Total Revenues	<u>2,967,805</u>	<u>3,848,660</u>	<u>1,093,606</u>	<u>1,087,792</u>
Expenditures incurred:				
Buses	(2,935,896)	(894,766)		
Shelters			(168,642)	
Total Expenditures	<u>(2,935,896)</u>	<u>(894,766)</u>	<u>(168,642)</u>	<u>0</u>
Unexpended funds at year end	<u>\$31,909</u>	<u>\$2,953,894</u>	<u>\$924,964</u>	<u>\$1,087,792</u>

Of the \$1,082,885 in PTMISEA funds received during fiscal year ended June 30, 2010, \$882,885 was matched with federal and other funds to procure replacement buses in the normal rotation of revenue vehicle replacement in the near future. The remaining \$200,000 are part of the MTC Administered Lifeline project and has been matched with local funds to purchase and install bus shelters as part of the Authority's Bus Shelters and Amenities for Communities of Concern project.

**NOTE 9 – TDA RECEIVABLE/PAYABLE**

The Authority applies for TDA funds for operating purposes prior to the start of each fiscal year. The application is based on the Authority's annual budget and thus contains an estimate of the Authority's annual operating expenditures and revenues during the next fiscal year. After completion of the annual audit whereby any unapplied funds or funding shortfalls are determined, the Authority either returns TDA funds in excess of those used during the fiscal year or applies for additional TDA funding for the prior fiscal year to make up the shortfall.

A TDA Receivable represents the deficit of TDA operations grants received by the Authority over the allowed expenditures; any deficit amounts are payable to the Authority. A TDA Payable represents the surplus of TDA operations grants received by the Authority over the allowed expenditures. Such surpluses must be returned to the County Local Transportation Fund. The amount of TDA payable or receivable at year end is a provision that the Authority makes to request or return such TDA funds. At the end of fiscal year ended June 30, 2013, the Authority encountered an excess of \$1,408,452 in TDA Operating Funds revenues. As a result, the Authority reduced its TDA Operating Payable by the amount of the excess.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 9 – TDA RECEIVABLE/PAYABLE (Continued)**

For the years ended June 30, 2013 and 2012, the maximum TDA operating assistance eligible was \$7,319,863 and \$9,170,133, respectively. The actual TDA operating funds received for the years ended June 2013 and 2012 were \$8,728,315 and \$9,825,837, respectively. The TDA Payable for the years ended June 2013 and 2012 were \$1,408,452 and \$655,704, respectively, and were calculated as follows:

	2013	2012
TDA operating assistance allowable	\$7,319,863	\$9,170,133
Actual TDA operating assistance received	(8,728,315)	(9,825,837)
(Payable) Receivable	(\$1,408,452)	(\$655,704)

**NOTE 10 – EMPLOYEE RETIREMENT BENEFITS**

The Authority offers two retirement plans - a 401(a) and a 457(b) plan. The plans are optional. The Authority also offers Other Post Employment Benefits (OPEB).

**A. *Employees' Retirement Plan***

The Authority offers a 401(a) defined contribution pension plan, administered by the Financial Decision group, through Charles Schwab. All full-time employees are eligible for this voluntary program upon successful completion of his or her probation. In order to participate in this voluntary program, an employee must participate in the 457(b) deferred compensation plan (see note 10B), and contribute a minimum of 4% of his or her gross salary, up to a maximum of 25%, or the federally allowed maximum amount of his or her gross compensation, whichever is less.

The Authority makes contributions to the 401(a) plan for each participant depending on the participant's years of service with the Authority as follows:

Less than 10 years	12% of gross salary
10-20 years	13% of gross salary
20-30 years	14% of gross salary
More than 30 years	15% of gross salary

Any changes to the plan and/or contribution requirements must be approved by the Authority's Board of Directors. During fiscal year ended June 30, 2013, the Authority contributed \$314,075 to the 401(a) plan on behalf of its participants.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 10 – EMPLOYEE RETIREMENT BENEFITS (Continued)**

**B. *Deferred Compensation Plan***

The Authority employees may defer a portion of their compensation under an Authority sponsored Deferred Compensation Plan, administered by ICMA, created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

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 and are not subject to Authority control, they have been excluded from these financial statements.

**C. *Other Post Employment Benefits (OPEB)***

The Authority provides postretirement health care benefits to full time administrative employees who retire directly from the Authority after attaining the age of 62 with at least 20 years of service. As of June 30, 2013, there were no participants receiving these health care benefits. The Authority does not anticipate paying any OPEB until fiscal year ending June 30, 2017.

The Authority will pay the entire COBRA Kaiser Health Savings Account (HSA) plan premium for the retired employee and their eligible dependents until the employee reaches age 65, at which time they will qualify for Medicare. The Authority will pay the equivalent of the Kaiser HSA plan premium towards another health insurance policy selected by the employee in place of this plan.

Under the provisions of Governmental Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Authority has elected to use an alternative method in calculating its OPEB liability, which is recorded as a noncurrent liability in the Statement of Net Position. The Authority is on a pay-as-you-go funding policy, and uses the following assumptions in calculating the liability on an annual basis: current COBRA Kaiser HSA rate, 10% annual inflation factor, and .5% investment rate of return.

**NOTE 11 - CONTINGENT LIABILITIES**

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Authority.

The Authority participates in Federal and State grant programs. These programs have been audited by the Authority's independent auditors in accordance with the provisions of the Federal Single Audit Act, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 12 - MAJOR CONTRACTOR**

The Authority has an agreement dated July 30, 2011 with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through June 30, 2016. Expenses recorded under this contract amounted to \$11,028,322 for fiscal year ended June 30, 2013, and are recorded as purchased transportation.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2013**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?       X       Yes            None Reported

Noncompliance material to financial statements noted?            Yes       X       No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified?            Yes       X       No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes       X       None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?            Yes       X       No

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
20.500 and 20.507 (Cluster Program)	Federal Transit – Capital Investment Grants and Formula Grants (Urbanized Area Formula Grants)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?       X       Yes            No

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit did disclose significant deficiencies, but no material weaknesses or instances of noncompliance material to the basic financial statements, which are included in a separate Memorandum on Internal Control dated August 30, 2013 which is an integral part of our audits and should be read in conjunction with this report.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

## **SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Prepared by Management

### **Financial Statement Prior Year Findings**

There were no prior year Financial Statement Findings reported.

### **Federal Award Prior Year Findings and Questioned Costs**

There were no prior year Federal Award Findings and Questioned Costs reported.



**EASTERN CONTRA COSTA TRANSIT AUTHORITY (TRI-DELTA)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
U.S. Department of Transportation - <i>Direct Program</i>			
Federal Transit			
Project CA-04-0076	20.507	N/A	\$66,770
Project CA-04-0164	20.507	N/A	3,390
Project CA-90-Y920	20.507	N/A	10,202,039
Project CA-90-Z018	20.507	N/A	<u>766,203</u>
Subtotal Department Transportation			<u>11,038,402</u>
Total Expenditures of Federal Awards			<u><u>\$11,038,402</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2013**

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure Federal Awards (the Schedule) includes expenditures of federal awards for the Eastern Contra Costa Transit Authority (Tri-Delta), California and its component units as disclosed in the notes to the Basic Financial Statements

**NOTE 2-BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types Federal award programs when they occur.

**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***

To the Honorable Members of the Board of Directors  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Eastern Contra Costa Transit Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2013. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified certain deficiencies in internal control we consider to be significant deficiencies. These are listed as items in our separately issued Memorandum on Internal Control dated August 30, 2013, which is an integral part of our audits and should be read in conjunction with this report.

### ***Compliance and Other Matters***

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

### ***Authority's Response to Findings***

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated August 30, 2013, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 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 the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
August 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Members of the Board of Directors  
Eastern Contra Costa Transit Authority  
Antioch, California

***Report on Compliance for Each Major Federal Program***

We have audited Eastern Contra Costa Transit Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Report on Internal Control Over Compliance***

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated September 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Maze & Associates*

Pleasant Hill, California  
August 30, 2013

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

Honorable Members of the Board of Directors of  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Eastern Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2013. Our opinion included emphasis of matter paragraphs disclosing the effect of the implementation of new accounting principles.

***Internal Control Over Financial Reporting***

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

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Authority'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 procedures included the applicable audit procedures contained in §6667 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. 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*.

### *Authority's Response to Findings*

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated August 30, 2013, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### *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 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 the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze & Associates*

Pleasant Hill, California  
August 30, 2013

**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE WITH THE RULES AND REGULATIONS OF THE  
PUBLIC TRANSPORTATION MODERNIZATION  
IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)**

Honorable Members of the Board of Director of the  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited the statement of revenues and expenditures of the Eastern Contra Costa Transit Authority Public Transportation Modernization, Improvement and Service Enhancement Account Projects, a program of the Eastern Contra Costa Transit Authority, California, (the Authority) in accordance with generally accepted auditing standards in the United States of America as of and for the year ended June 30, 2013, and have issued our report thereon dated August 30, 2013.

In connection with our audit, we have read and performed the applicable audit procedures contained in the *Public Transportation Modernization, Improvement and Service Enhancement Account Guideline* (Guideline) adopted by the California of Department of Transportation.

***Internal Control over Financial Reporting***

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

### ***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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Authority's Response to Findings***

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated August 30, 2013, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 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 the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Maze & Associate*

August 30, 2013  
Pleasant Hill, California