EASTERN CONTRA COSTA
TRANSIT AUTHORITY
ANTIOCH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

PREPARED BY THE FINANCE DEPARTMENT

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EASTERN CONTRA COSTA TRANSIT AUTHORITY

BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2019 and 2018

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
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), California, as of and for the years ended June 30, 2019 and 2018, and the related notes to the 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 audits 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 audits 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.

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Pleasant Hill, CA 94523

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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, 2019 and 2018, and changes in financial position and cash flows thereof 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 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 October 11, 2019, 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.

Maze + Associates

Pleasant Hill, California
October 11, 2019

Management's Discussion and Analysis

Introduction

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 2019 including comparisons to the prior year. This information should be considered in conjunction with the statements and notes contained in the Financial Section.

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 the Independent Auditor's Report on those financial statements as well as certain grant activities.

Basic Financial Statements

The *Statement of Net Position* presents information about the assets, liabilities and deferred inflows of resources and the difference between them as *net position.* The change in net position over time can indicate 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 year. The operating revenues and expenses shown here are the financial activities related to the Authority's mission of providing public transportation services in Eastern Contra Costa County. The revenues and expenses reported include fares and advertising revenues along with the cost of passenger services, administration & operation of those services and the depreciation of fixed 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

The Notes to Basic Financial Statements immediately following are intended to provide additional information that is essential for the reader to gain a full understanding of the information provided within the financial statements.

Analysis of ECCTA's Overall Financial Position

	2019	2018	Change	%
Assets:				
Current Assets	$7,156	$7,974	($818)	-10.3%
Non-current Assets	$32,848	$33,972	($1,124)	-3.3%
Total Assets:	**$40,004**	**$41,946**	**($1,942)**	**-4.6%**
Liabilities:				
Current Liabilities	$4,667	$7,031	($2,364)	-34%
Non-Current Liabilities	$1,539	$1,620	($81)	-5%
Total Liabilities:	**$6,206**	**$8,651**	**($2,445)**	**-28%**
Deferred Inflows of Resources:	$104	$290	($186)	100%
Net Position:	**$33,503**	**$33,005**	**$498**	**2%**

During FY19 the Authority has been using a hedging strategy for diesel fuel consumption. This derivative instrument non-current asset and deferred inflows of resources represent the fair market value of the hedging account over the Authority's net investment.

The non-current liabilities stayed the same this is the Authority's continued annual accrual for post employment medical benefits in retirement as proscribed by GASB 45.

The 2% increase in the Authority's net position in FY19 is due to the items described above.

Capital Activity:

The Authority expended $4.5M of available capital funds during FY19 on various projects:

Revenue Vehicles	$4,262,654
Non Rev Vehicles	$181,104
Facilities & Equipment	$49,494
Field Amenities & Fixtures	$8,547
A&E For Charging Station	$300
TOTAL	**$4,502,099**

Revenue vehicles remain the major component of the Authority's net capital assets and will do so going forward.

Operating Activity:

Comparison to Budget

	FY19 Actual	FY19 Budget	Variance
Operating Revenues	$2,325	$3,001	($676)
Operating Expenses	$22,004	$21,511	$493
Non-Operating Revenues	$19,335	$18,510	$825

Prior Year Comparison

	FY19 Actual	FY18 Actual	Difference
Operating Revenues	$2,325	$2,952	($627)
Operating Expenses	$22,004	$20,794	$1,210
Non-Operating Revenues	$19,335	$17,651	$1,684

During FY19, the Authority budgeted for 229 thousand billable service hours and actually provided 227 thousand billable hours of service through an operations contractor.

While the Authority anticipated providing 2.4M passenger trips in FY19, the actual number of passenger trips at 2.0M fell short of plan. The shortfall was a direct result of a 17% drop in fixed route and paratransit passengers from the previous year. Declining ridership has been an industry wide trend for several years and must be recognized and accommodated in service planning by all public transit agencies.

Material variances from budget during FY19 for the Authority included $220 thousand savings on Materials and Supplies, this was due to cost saving options when purchasing. We realized a $32 thousand favorable variance in utilities because of the install of our new solar system last year. There was another $143 thousand savings against budget in Services costs due to more efficient cost saving measures in FY19. There was a $54 thousand cost overage to Salaries and Benefits this was due to new positions added plus a cost of living increase for the maintenance department that hadn’t had an increase in four year. Otherwise, there were no other material cost overages in any expense line item during FY19.

Fuel costs remain 8% of the Authority's annual budget. The Authority entered into fuel hedging contract as a way of avoiding fuel price volatility effects on service planning and provision.

In FY19 the Authority announced the launch of a six month pilot program Tri MyRide, a flexible and dynamic on-demand shuttle service operating in neighborhoods near Antioch BART and Pittsburg/Bay Point BART Stations. This service is similar to ride-hailing services. It uses a smartphone app for riders to schedule customized curb-to-curb trips. This new service is $2.00 per trip. The low-cost makes Tri Delta Transit’s Tri MyRide more affordable than traditional ride-hailing services. This service along with the new micro transit service TNC has helped the Agency improve paratransit ridership.

KEY PERFORMANCE INDICATORS BY SERVICE

PARATRANSIT

	Budget Jun-19	% ▲	ANNUAL COMPARISON Actual Jun-18	Jun-19	% ▲
PASSENGERS					
Total DAR Trips Provided	124,604	-1%	125,558	160,346	28%
Average Weekday Ridership	464	-1%	469	579	24%
Average Sat Ridership	108	2%	105	181	71%
Average Sun/Hol Ridership	48	2%	47	105	125%
Average Passengers/Hour (weekdays regular paratransit only)	2.9	-1%	2.9	3.1	5%
CUSTOMER SERVICE					
Ride Refusals / Day	0.0	-100%	0.0	0.0	0%
Customer Complaints	0.250%	-48%	0.486%	0.426%	-12%
On Time Performance	90%	37%	66%	63%	-4%
MAINTENANCE					
Gallons of Fuel Consumed	122,772	1%	122,057	109,838	-10%
Miles Between Preventable Accidents	200,000	-3%	207,048	394,339	90%
Miles Between Road calls	100,000	-64%	276,017	789,072	186%
COST RATIOS					
Farebox Recovery Ratio	9%	-15%	10%	10%	-2%
$/Gal Fuel	$ 3.00	-7%	$3.21	$3.27	2%
Operating Cost/Passenger	$ 35.82	21%	$ 29.68	$ 23.43	-21%
Operating Cost/Revenue Hour	$95.04	18%	$80.33	$69.74	-13%
Operating Cost/Revenue Mile	$6.72	25%	$5.38	$5.80	8%

KEY PERFORMANCE INDICATORS BY SERVICE

	Budget Jun-19	% ▲	Annual Comparison Actual Jun-18	Annual Comparison Actual Jun-19	% ▲
FIXED ROUTE					
PASSENGERS					
Total FR Trips Provided	2,321,636	4%	2,232,469	1,825,574	-18%
Average Weekday Ridership	8,238	4%	7,886	6,455	-18%
Average Sat Ridership	2,450	-2%	2,490	2,150	-14%
Average Sun/Hol Ridership	2,140	3%	2,087	1,665	-20%
Average Passengers/Hour	15.4	5%	14.7	12.0	-18%
CUSTOMER SERVICE					
Customer Complaints	0.025%	-2%	0.025%	0.035%	39%
On Time Performance	90%	8%	83%	82%	-1%
MAINTENANCE					
Gallons of Fuel Consumed	534,257	-7%	575,568	539,672	-6%
Miles Between Preventable Accidents	100,000	-31%	145,522	84,366	-42%
Miles Between Road calls	50,000	151%	19,951	35,980	80%
COST RATIOS					
Farebox Recovery Ratio	14%	0%	13%	9%	-30%
$/Gal Fuel	$ 2.65	15%	$ 2.30	$ 2.90	26%
Operating Cost/Passenger	$ 7.34	-3%	$ 7.56	$ 9.80	30%
Operating Cost/Revenue Hour	$ 113.24	2%	$ 111.07	$ 117.91	6%
Operating Cost/Revenue Mile	$ 8.95	9%	$ 8.19	$ 9.24	13%

Economic Factors and Next Year's Budgets and Rates

Continued declining fixed route ridership combined with increasing requests for demand responsive services are a concern for the Authority. These are also nationwide trends.

Rising costs are always problematic when they don't coincide with increased revenues or levels of service. The rapidly rising costs of employee benefits such as health care, the provision of adequate retirement programs and worker's compensation are one of those costs. This affects not only Authority employees, but the employees of the Purchased transportation contract provider as well because it impacts the amounts the Authority must pay for those contracts.

The Authority is addressing the increasing demand for DR services through implementation of partnered services with TNCs and other transportation providers that may better meet the needs of specific ridership segments at a lower cost to the authority.

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 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: Controller
801 Wilbur Avenue
Antioch, CA 94590
(925) 754-6622
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, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Unrestricted assets:		
Cash and equivalents (Note 3)	$3,047,748	$5,377,581
Operating assistance receivable	2,211,149	1,341,346
Capital grants receivable	481,192	54,970
Accounts receivable	103,500	94,154
Maintenance inventories and supplies, at cost	632,156	679,276
Prepaids (Note 12)	76,467	100,288
Total unrestricted assets	6,552,212	7,647,615
Restricted cash and equivalents (Note 3):		
CTSGP reserves		21,417
LCTOP reserves	602,711	304,882
Total restricted assets	602,711	326,299
Total Current Assets	7,154,923	7,973,914
Non-Current Assets		
Derivative instrument at fair value - asset (Note 9)	294,132	289,658
Capital assets (Note 4):		
Non-depreciable	2,456,985	2,456,985
Depreciable	30,097,618	31,225,236
Total Non-Current Assets	32,848,735	33,971,879
Total Assets	40,003,658	41,945,793
LIABILITIES		
Current Liabilities		
Accounts payable	4,144,377	6,626,451
Accrued liabilities	457,565	345,009
Note payable - Due in less than one year (Note 11)	65,598	59,561
Total Current Liabilities	4,667,540	7,031,021
Non-Current Liabilities		
Other Post Employment Benefit Obligation (Note 10C)	355,782	371,000
Note payable - Due in more than one year (Note 11)	1,182,945	1,248,543
Total Liabilities	6,206,267	8,650,564
DEFERRED INFLOWS OF RESOURCES		
Derivative instrument at accumulated increase in fair value - asset (Note 9)	294,132	289,658
Total Liabilities and Deferred Inflow of Resources	6,500,399	8,940,222
NET POSITION (Note 2G)		
Net investment in capital assets	31,306,060	33,682,221
Restricted for:		
CTSGP projects		21,417
LCTOP operations	602,711	304,882
Unrestricted	1,594,488	(1,002,949)
Net Position	$33,503,259	$33,005,571

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, 2019 AND 2018

	2019	2018
PROGRAM OPERATING REVENUES		
Passenger fares	$2,063,138	$2,660,550
Other operating income	261,663	291,148
Total Program Operating Revenues	2,324,801	2,951,698
PROGRAM OPERATING EXPENSES		
Purchased transportation (Note 12)	12,579,727	11,787,754
Materials and supplies	3,292,054	3,007,641
Salaries and benefits	4,220,051	3,973,029
Services	706,925	850,987
Casualty and liability insurance	566,314	594,082
Utilities	171,493	166,259
Other	448,779	414,353
Depreciation (Note 4)	4,127,858	3,302,808
Interest Expense	18,393	
Total Program Operating Expenses	26,131,594	24,096,913
PROGRAM OPERATING LOSSES	(23,806,793)	(21,145,215)
NON-OPERATING REVENUES (EXPENSES)		
State grant revenues	14,255,441	12,110,429
Local grant revenues	4,649,688	4,584,787
Non-transportation revenues	82,531	6,315
Federal grant revenues	347,105	949,673
Net Non-Operating Revenues, Before Capital Contributions (Grants)	19,334,765	17,651,204
Capital Contributions (Grants)	4,969,716	5,806,965
Net Non-Operating Revenues and Capital Contributions	24,304,481	23,458,169
CHANGE IN NET POSITION	497,688	2,312,954
NET POSITION AT BEGINNING OF YEAR	33,005,571	30,692,617
NET POSITION AT END OF YEAR	$33,503,259	$33,005,571

See accompanying notes to basic financial statements

EASTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$2,053,792	$2,705,339
Cash received from operations - other	261,663	291,148
Cash payments for purchased transportation	(12,579,727)	(11,787,754)
Payments to and on behalf of employees	(4,235,269)	(3,973,029)
Payments to suppliers for goods and services	(7,502,535)	(3,382,085)
Net cash provided (used) by operating activities	(22,002,076)	(16,146,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	83,941	6,315
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal grants and reimbursements	536,900	949,673
State operating grants	13,829,219	12,055,459
Local grants	3,779,885	5,952,036
Net cash provided by noncapital and financing activities	18,146,004	18,957,168
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Issuance of note payable		1,308,104
Debt payment - note payable	(59,561)	
Capital contributions received	4,502,099	7,499,623
Purchase of capital assets	(3,000,240)	(9,730,261)
Net cash provided (used) by capital and related financing activities	1,442,298	(922,534)
NET CASH FLOWS	(2,329,833)	1,894,568
CASH AND INVESTMENTS AT BEGINNING OF YEAR	5,377,581	3,483,013
CASH AND INVESTMENTS AT END OF YEAR	$3,047,748	$5,377,581
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	($23,806,793)	($21,145,215)
Depreciation	4,127,858	3,302,808
Changes in assets and liabilities:		
Other receivables	(9,346)	44,789
Maintenance inventories and supplies	47,120	(1,853)
Prepaids	23,821	
Accounts payable	(2,482,074)	1,655,534
Accrued liabilities	112,556	(2,444)
Other post employment benefit obligation	(15,218)	
Net cash provided (used) by operating activities	($22,002,076)	($16,146,381)

See accompanying notes to basic financial statements

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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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 $1,000,000 in aggregate. In addition, the Authority is insured for premises and operational bodily injury and property damage up to a limit of $13,400,000, with a deductible of $10,000.

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 CTSGP and LCTOP.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

I. Deferred Inflow/Outflow 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.

J. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
>
> Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Summary of Derivative Financial Instruments

To better plan for the price of, and to relieve some of the strain that such price fluctuations might impose on planning and operations, the Authority utilizes commodity hedging- the buying and selling of fuel contracts at a forward price in advance of the Authority's needs.

Management believes that the futures contracts would be as likely to lose money as to make money, but that actual fuel purchases will move inversely proportional to the price of the contracts, thus offsetting fuel price variances which will allow management to plan on a more stabilized overall cost for diesel fuel.

GASB requires the gain (loss) on the sale of fuel hedges to be recorded in the Statement of Revenues, Expenses and Changes in Net Position. The change in fair value of the derivative is recorded as a deferred inflow/outflow on the Statement of Net Position, as appropriate. The investment in derivative instruments is recorded in the Statement of Net Position as part of current assets/liabilities and other non-current assets/liabilities, as appropriate.

L. New Accounting Pronouncements

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

GASB 83 - ***Certain Asset Retirement Obligations*** – This Statement addresses accounting and financial reporting for certain asserts retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. GASB Statement No. 83 statement requires the current value of a government's AROs to annually be adjusted for the effects of general inflation or deflation, and relevant factors that may significantly change the estimated asset retirement outlays. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. This Statement had no effect on the financial statements.

GASB 88 - ***Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** – The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement had no effect on the financial statements.

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.

Cash and cash equivalents consisted of the following as of June 30:

	2019	2018
Unrestricted cash:		
Deposits in financial institutions	$3,047,183	$5,377,016
Cash on hand at Authority	565	565
Total unrestricted cash and equivalents	3,047,748	5,377,581
Restricted - certificates of deposit:		
CTSGP reserve		21,417
LCTOP reserve	602,711	304,882
Total restricted cash and equivalents	602,711	326,299
Total Cash and Equivalents and investments	$3,650,459	$5,703,880

B. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

In fiscal year 2018/2019 the Authority had investments in Money Market accounts of $2,900,524 and Certificates of Deposit of $602,711, which are exempt from fair market value measurements.

In fiscal year 2017/2018 the Authority had investments in Money Market accounts of $5,211,114 and Certificates of Deposit of $326,299 which are exempt from fair market value measurements.

NOTE 3 – CASH AND CASH EQUIVALENTS (Continued)

C. LCTOP Operations

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2015 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. LCTOP was passed and adopted by the Authority in January 2016. The Authority is applying these funds to enhance service on Route 201 (Concord, California).

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	5-30 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, 2019 is as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$2,456,985			$2,456,985
Total capital assets not being depreciated	2,456,985			2,456,985
Capital assets being depreciated:				
Buildings and improvements	14,873,195			14,873,195
Transit vehicles	40,920,655	$2,694,385	($5,586,053)	38,028,987
Equipment	4,782,273	305,855	(588,367)	4,499,761
Total capital assets being depreciated	60,576,123	3,000,240	(6,174,420)	57,401,943
Less accumulated depreciation for:				
Buildings and improvements	8,635,243	325,099		8,960,342
Transit vehicles	16,955,389	3,601,217	(5,586,053)	14,970,553
Equipment	3,760,255	201,542	(588,367)	3,373,430
Total accumulated depreciation	29,350,887	4,127,858	(6,174,420)	27,304,325
Total depreciable assets	31,225,236	(1,127,618)		30,097,618
Capital assets, net	$33,682,221	($1,127,618)		$32,554,603

NOTE 4 – CAPITAL ASSETS (Continued)

Capital assets activity during fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$2,456,985			$2,456,985
Total capital assets not being depreciated	2,456,985			2,456,985
Capital assets being depreciated:				
Buildings and improvements	13,442,065	$1,431,130		14,873,195
Transit vehicles	33,351,187	8,153,062	($583,594)	40,920,655
Equipment	4,052,610	146,069	583,594	4,782,273
Total capital assets being depreciated	50,845,862	9,730,261		60,576,123
Less accumulated depreciation for:				
Buildings and improvements	8,095,879	539,364		8,635,243
Transit vehicles	14,227,874	2,727,515		16,955,389
Equipment	3,724,326	35,929		3,760,255
Total accumulated depreciation	26,048,079	3,302,808		29,350,887
Total depreciable assets	24,797,783	6,427,453		31,225,236
Capital assets, net	$27,254,768	$6,427,453		$33,682,221

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 under 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 capital assets 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, 2019 and 2018, the maximum TDA operating assistance eligibility was $9,011,002 and $10,707,546, respectively. During the years ended June 30, 2019 and 2018, the TDA operating funds received was $9,011,002 and $10,535,187, respectively, resulting in an underpayment by MTC of $0 and $172,359. As a result, the Authority decreased the TDA Operating Receivable at June 30, 2019 to $0. (see Note 8).

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).

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 and $531,835 in RM2 funding during fiscal years ended June 30, 2019 and 2018, respectively. The Authority utilized the RM2 funds as operating assistance on a specific, express bus route per the program's requirements.

NOTE 5 – OPERATING GRANTS (Continued)

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

	2019	2018
Federal Transit Administration	$347,105	$949,673
Transportation Development Act	10,120,901	10,505,068
State Transit Assistance	3,993,900	1,464,834
Inter-operator agreements (BART)	2,685,749	2,624,597
Measure J	1,432,106	1,428,355
Regional Measure 2	531,835	531,835
Low Carbon Transit Operations Program (LCTOP)	140,638	140,527
Total	$19,252,234	$17,644,889

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.

The Authority's capital contributions for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
U.S. Department of Transportation grant awards	3,986,732	$6,196,812
Less: funds used for operating costs	(347,105)	(949,673)
Sub-total:	3,639,627	5,247,139
State grants	124,684	3,157,664
Other	390,684	508,973
Total Capital Contributions	$4,154,995	$8,913,776

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 $1,553,470 and $2,189,847 in Measure J operating assistance during fiscal years ended June 30, 2019 and 2018, respectively, of which $1,432,106 and $1,428,355, respectively, were applied to specific fixed route and para-transit bus services per CCTA's approved program. The remaining amount of $121,364 and $761,492 of Measure J funds for 2019 and 2018, 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.

NOTE 8 – 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, 2019 and 2018, the Authority was still owed from MTC the amount of $0 and $172,359, respectively, in TDA Operating Funds revenues. As a result, the Authority increased its TDA Operating receivable by the amount of the deficit.

For the years ended June 30, 2019 and 2018, the maximum TDA operating assistance eligible was $9,011,002 and $10,707,546, respectively. The actual TDA operating funds received for the years ended June 30, 2019 and 2018 were $9,011,002 and $10,535,187 respectively. The TDA Receivable for the years ended June 2019 and 2018, respectively, were $0 and $172,359, respectively, and were calculated as follows:

	2019	2018
TDA operating assistance allowable	$9,011,002	$10,707,546
Actual TDA operating assistance received	(9,011,002)	(10,535,187)
Receivable	$0	$172,359

NOTE 9 – DERIVATIVE INSTRUMENTS

A. Objective and Terms of Hedging Derivative Instruments

The Authority has adopted GASB 53 to account for its investment in oil future contracts to hedge against the volatility in diesel fuel prices. Because the fuel hedge is an effective hedge as defined by GASB 53, the accumulated unrealized gain (loss) on the fuel hedge is reported on the Statements of Net Position as an investment and a deferred inflow of resources. The hedging instruments affected are monthly fuel hedge contracts with a notional amount of 42,000 gallons each with an index of New York Harbor Heating Oil #2 as listed on the NYMEX. There were twelve open contracts at June 30, 2019. On average, it costs the Authority $152 to acquire a fuel hedge contract. The aggregate fuel hedge contracts cover a rolling 16 - to 18-month period. The deferred inflow and investment as of June 30, 2019 and 2018 are valued at $294,132 and $289,658, respectively.

The Authority has a derivative instrument to hedge fuel costs which is categorized as Level 2 in the fair value hierarchy. See Note 2J for definitions.

B. Credit Risk

Credit risk is the risk of loss due to a counterparty defaulting on its obligations. The Authority is exposed to credit risk if hedging instruments are in asset positions. As of June 30, 2019, the Authority was exposed to credit risk because certain open derivative contracts were in asset positions. However, should interest rates change and the fair market value of the swap become negative; the Authority would not be exposed to credit risk in the amount of the fair market values.

The Authority's derivative instruments are managed by Linwood Capital, LLC, through an account with RJ O'Brien and Associates, LLC, a regulated Futures Commission Merchant. The Authority's investment in commodity futures contracts is speculative and changes in the fair market value of such investments may fluctuate significantly, and may do so in the near term.

C. Termination Risk

Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include bankruptcy, illegality, default, and mergers in which the successor entity does not meet credit criteria. One aspect of termination risk is that the Authority would lose the hedging benefit of a derivative that becomes subject to a termination event. Another aspect of termination risk is that, if at the time of termination the mark-to-market value of the derivative was a liability to the Authority, the Authority could be required to pay that amount to the counterparty. Termination risk is associated with all of the Authority's derivatives up to the fair value amounts. The swap may be terminated by either party at any time upon written notice to the other party.

D. Price Risk

With respect to price risk under these future contracts, the Authority receives the index rate at settlement and pays the fixed contracted rate entered into on the trade date. The Authority is exposed to risk because the commodity purchase price being hedged is different from the price on settlement.

NOTE 10 – EMPLOYEE RETIREMENT PLANS

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 11B), 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, 2019, the Authority contributed $344,227 to the 401(a) plan on behalf of its participants.

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, 2019, there were no participants receiving these health care benefits.

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.

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

The Authority uses 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 0.5% investment rate of return.

NOTE 11 – NOTE PAYABLE

On February 4, 2016, the Authority entered into an agreement with California Energy Resources Conservation and Development Commission for $1,308,104, with a one percent (1% per annum) interest rate. The project consists of installing roof and parking structures mounted with photovoltaic (PV) panels at the East Contra Costa Transit Authority main office, located in Antioch, California. Principal and interest payments are payable semiannually with the first repayment due on December 22, 2018 and final installment due on December 22, 2036.

The following is a summary of the note payable for the year ended June 30, 2019:

	Original Issue Amount	Balance June 30, 2018	Retirement	Balance June 30, 2019	Amount due within one year
California Energy Resources Loan Agreement	$1,308,104	$1,308,104	$59,561	$1,248,543	$65,598
Total long-term debt		$1,308,104	$59,561	$1,248,543	$65,598

The annual payment requirements to mature the loan outstanding at June 30, 2019 were as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$65,598	$12,356	$77,954
2021	66,289	11,665	77,954
2022	66,953	11,001	77,954
2023	67,625	10,329	77,954
2024	68,277	9,677	77,954
2025 - 2029	351,904	37,865	389,769
2030 - 2034	369,906	19,863	389,769
2035 - 2037	191,991	2,893	194,884
Total	$1,248,543	$115,649	$1,364,192

NOTE 11 – NOTE PAYABLE (Continued)

The following is a summary of the note payable for the year ended June 30, 2018:

	Original Issue Amount	Balance June 30, 2017	Retirement	Additions	Balance June 30, 2018	Amount due within one year
California Energy Resources Loan Agreement	$1,308,104			$1,308,104	$1,308,104	$59,561
Total long-term debt				$1,308,104	$1,308,104	$59,561

The annual payment requirements to mature the loan outstanding at June 30, 2018 were as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$59,561	$18,393	$77,954
2020	65,598	12,356	77,954
2021	66,289	11,665	77,954
2022	66,953	11,001	77,954
2023	67,625	10,329	77,954
2024 - 2028	348,385	41,384	389,769
2029 - 2033	366,235	23,534	389,769
2034 - 2037	267,458	5,380	272,838
Total	$1,308,104	$134,042	$1,442,146

NOTE 12 – COMMITMENT AND 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 Uniform Guidance, 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.

The Authority made a prepayment to Pacific Gas and Electric (PG&E) for a 10-year refundable electric option and will perform the construction services for the project using the loan proceeds. The option payment of $76,467 and $100,288 for fiscal years ended June 30, 2019 and 2018, respectively, are reported as a prepaid asset on the Statements of Net Position.

CONTRACTOR

The Authority has an agreement dated May 2, 2016 with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through June 30, 2020. Expenses recorded under this contract amounted to $12,579,727 and $11,787,754 for fiscal years ended June 30, 2019 and 2018, respectively, and are recorded as purchased transportation.

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MAZE & ASSOCIATES

**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 basic financial statement of the Eastern Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated October 11, 2019.

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.

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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*.

We have also issued a separate Memorandum on Internal Control dated October 11, 2019 which is an integral part of our audit and should be read in conjunction with this report.

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.

This report is intended solely for the information and use of the management, Board of Directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze + Associates

Pleasant Hill, California
October 11, 2019

**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 Directors 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 general accepted auditing standards in the United States of America as of and for the year ended June 30, 2019 and have issued our report thereon dated October 11, 2019.

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.

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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*.

We have also issued a separate Memorandum on Internal Control dated October 11, 2019 which is an integral part of our audit and should be read in conjunction with this report.

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.

This report is intended solely for the information and use of the management, Board of Directors, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties; however, this restriction is not intended to limit the distribution of this report, which is a matter of public record.

Maze + Associates

Pleasant Hill, California
October 11, 2019