

**EASTERN CONTRA COSTA
TRANSIT AUTHORITY**

**Independent Auditor's Report,
Financial Statements,
Supplemental Information, and
Single Audit Reports**

Years Ended June 30, 2012 and 2011

EASTERN CONTRA COSTA TRANSIT AUTHORITY
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Directors,
Eastern Contra Costa Transit Authority
Antioch, California

We have audited the accompanying financial statements of the Eastern Contra Costa Transit Authority (Authority), also known as Tri Delta Transit, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2012 and 2011 and the changes in its financial position and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, on our consideration of the Authority's internal control over financial reporting and 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 testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Procedures* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed on pages 2 through 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Clay, Millias & Co., LLP
September 28, 2012

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

INTRODUCTION

The following discussion and analysis of the financial performance and operating activity of the Eastern Contra Costa Transit Authority (“ECCTA” or “the Authority”) provides an introduction and understanding of the basic financial statements of the Authority for the years ended June 30, 2012 and 2011. This discussion was prepared by management and should be read in conjunction with the financial statements and related notes which follow this section.

ECCTA is a Joint Powers Agency formed in 1976 by the Cities of Antioch, Brentwood, Pittsburg and Contra Costa County. The City of Oakley joined soon after incorporation in 1999.

The Authority was created for the purpose of providing a local bus transit system in Eastern Contra Costa County.

ECCTA’s Mission Statement

- To provide safe, reliable, friendly, high quality and economical transportation service to the Eastern Contra Costa community;
- To provide an organizational environment that encourages cooperation, rewards excellence, and develops a team of highly motivated staff;
- To empower employees to function as owners of the Eastern Contra Costa Transit Authority organization;
- To develop Eastern Contra Costa Transit Authority services and facilities to better serve the transit dependent community and capture a greater share of the commute market;
- To secure and manage funds to maintain and expand transit service and to operate Eastern Contra Costa Transit Authority according to fiscally sound business practices;
- To take a leadership role in developing a coherent transportation policy to deal with problems of traffic congestion, air quality, and growth management;
- And to build constituencies at all levels of government that support the Eastern Contra Costa Transit Authority and its programs.

ECCTA’s goals that support the adopted Mission Statement are summarized below:

- I. Provide safe, reliable and high quality public transportation to ECCTA service area residents.
- II. Provide efficient public transportation to the residents of the ECCTA service area.
- III. Provide an accessible public transportation system to the residents of the ECCTA service area.

ECCTA is currently administered by a staff of thirty six administrative and maintenance employees. Bus operations are contracted out to a private provider. The Authority owned ninety nine revenue vehicles in 2012 and provided over 2.5 million passenger trips. ECCTA is governed by an appointed, eleven member Board of Directors composed of two representatives from each member city, the county and one Director at Large appointed by the other ten directors.

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

The Financial Statements

The basic financial statements provide information about the Authority's enterprise fund. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

Overview of the Financial Statements

The *Statement of Net Assets* reports assets, liabilities and the difference as *net assets*. The entire equity section is combined to report total *net assets* and is displayed in three components:

- *capital invested*
- *unrestricted*
- *temporarily restricted net assets*

Capital invested consists of capital received that is attributable to the acquisition, construction or improvements of the Authority's holdings.

Unrestricted consist of net assets that do not meet the definition of restricted or capital invested. This net asset component includes net assets that have not been designated by management for specific purposes, which include allocations to fund capital projects. Management considers them to be available for general operations.

Temporarily restricted net assets consist of assets where constraints on their use are externally imposed by grantors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The *Statements of Revenues, Expenses and Changes in Net Assets* consists of operating and non-operating revenues and expenses based upon definitions provided by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by GASB Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments: Omnibus*. In compliance with these provisions, recurring sources of ECCTA's revenues, such as capital contributions, are reported separately, after non-operating revenues and expenses.

Statement of Cash Flows is presented using the direct method and includes a reconciliation of operating loss to net cash used in operating activities.

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

OPERATING HIGHLIGHTS

(All figures in \$thousands except FTE & percentages)

The Authority's financial activities correlate with the level of services provided. Any analysis of ECCTA's change in financial position must take into account any significant changes in the Authority's operations as well.

Summary Statement of Operations

	<i>Fiscal Year</i>		<i>Diff \$</i>	<i>% Chng</i>
	<u>2012</u>	<u>2011</u>		
Passengers	2,562	2,481	81	3%
Revenue Hours	215	217	(2)	-1%
Revenue Miles	2,917	2,969	(52)	-2%
FTE	179.9	181.0	(1.2)	-1%

The operating characteristics of ECCTA were similar between the two fiscal years. The only measurable change in the Authority's operations parameters was a 3.3% increase in overall ridership on a very slight decrease in service hours and miles.

FINANCIAL HIGHLIGHTS

(All figures in thousands except percentages)

STATEMENTS OF NET ASSETS

Summary Statement of Net Assets

	<i>Fiscal Year</i>		<i>Diff \$</i>	<i>% Chng</i>
	<u>2012</u>	<u>2011</u>		
Current Assets	\$ 7,417	\$ 5,069	\$ 2,348	46%
Noncurrent Assets	17,294	16,575	719	4%
Total Assets	\$24,711	\$21,644	\$ 3,067	14%
Liabilities	2,797	2,695	102	4%
Net Assets	21,914	18,949	2,965	16%
Total Liabilities & Net Assets	\$24,711	\$21,644	\$ 3,067	14%

ECCTA received \$2.9 million in California Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) funds during fiscal 2012 to be applied towards the purchase of twenty five, fixed route buses. The Authority's Board approved a contract with Gillig Corporation for the manufacture of these buses in February of 2012. ECCTA is holding the PTMISEA funds in a restricted account until such time as the buses are delivered which is scheduled for July of 2013.

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2012 AND 2011**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Summary Statement of Revenues, Expenses and Changes in Net Assets

	<i>Fiscal Year</i>			
	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>% Chng</u>
OPERATING REVENUES:	\$ 3,256	\$ 3,166	\$ 90	3%
<u>OPERATING EXPENSES:</u>	<u>23,021</u>	<u>22,395</u>	<u>626</u>	<u>3%</u>
OPERATING LOSS:	(19,765)	(19,229)	(536)	3%
NON-OPERATING REVENUES:	16,393	16,269	124	1%
<u>CAPITAL CONTRIBUTIONS:</u>	<u>6,337</u>	<u>1,705</u>	<u>4,632</u>	<u>272%</u>
INCREASE (DECREASE) IN NET ASSETS:	\$ 2,965	\$(1,254)	\$ 4,219	-336%
NET ASSETS, Beginning of year	18,949	20,204	(1,255)	-6%
NET ASSETS, End of year	\$ 21,914	\$18,949	\$ 2,965	16%

Operating Revenues

Operating revenues increased 3% in fiscal year 2012 over fiscal year 2011, which is proportional to the increase in ridership. The increase of \$90 in operating revenues was derived from three sources: \$29 from increased fare revenues, \$41 from increased advertising revenues and \$20 from increased reimbursement for DAR services provided for BART. There was a fare increase for fixed route services in March of 2012.

Operating Expenses

The Authority's operating expenses increased as well. Operating expenses in fiscal year 2012 were 3% higher than in fiscal year 2011. This increase occurred, despite a 1% decrease in revenue hours and 2% decrease in revenue miles of service provided during fiscal year 2012.

Major items in the \$626 increase in operating expenditures year-over-year break out as follows:

Summary Statement of Operating Expenses

	<i>Fiscal Year</i>			
	<u>2012</u>	<u>2011</u>	<u>Diff \$</u>	<u>% Chng</u>
Purchased Transportation	\$10,492	\$10,204	\$ 288	3%
Materials and supplies	4,103	3,719	384	10%
Salaries and benefits	3,911	3,754	157	4%
Services	572	584	(12)	-2%
Casualty and liability insurance	386	520	(134)	-26%
Utilities	195	187	8	4%
Other	382	466	(84)	-18%
<u>Depreciation</u>	<u>2,980</u>	<u>2,961</u>	<u>19</u>	<u>1%</u>
Total Operating Expenses	\$23,021	\$22,395	\$ 626	3%

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
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The 3% (\$288) increase in Purchased Transportation expenses results from the contractual agreement with the Authority's operations provider which allows an annual increase in the cost per hour of service provided. This increase was budgeted as well.

The increasing cost of fuel in fiscal year 2012 over fiscal year 2011 was the most significant element of the overall increase in operating costs for the year. ECCTA does not have control over, or the ability to forecast future changes in energy prices. In July of 2010, the Authority paid \$2.15/gallon for diesel fuel. By the end of fiscal year 2012, the Authority was paying \$2.78/gallon, a 29% increase. Fluctuating energy costs remain one of the most challenging cost variables for bus transit operators.

Salaries and benefits cost increased by 4% in fiscal year 2012 versus fiscal year 2011. Base salaries were not a material contributor to this change as no new positions were added and general pay increases were not implemented. But overtime (↑\$61), medical insurance (↑\$68), workers compensation insurance (↑\$40) and increasing retirement benefits provided for maintenance employees to match those of administrative employees (↑\$18) added additional labor costs compared to the prior year.

These benefits cost increases were slightly offset by smaller decreases in other fringe benefits particularly FICA and paid time off.

Medical insurance costs remain burdensome for all U.S. employers today and continue to grow beyond any measure of inflation. However, medical benefits are understood to be a necessary expense of business to attract and retain qualified employees. And, there may be future changes in store due to the implementation of the Patient Protection and Affordable Care Act

The \$134 decrease in casualty and liability insurance is due to timing of some of the policies and their respective payment schedule in fiscal year 2010 rather than any material change in insurance premium costs. FY2011 reflects an anomaly for this expenditure.

Non-operating Revenues

Non-operating revenues increased by \$124 in fiscal year 2012. The mix of federal, state and local funds that the Authority receives moved markedly towards federal sources in fiscal year 2012 due to ECCTA's choice to defer receipt of federal, preventive maintenance funding provided by the American Recovery and Reinvestment Act (ARRA) of 2009. The application of these funds to the Authority's operations in fiscal years 2011 and 2012 allowed the agency to conserve local, Transportation Development Act (TDA) funds and begin to rebuild the reserve.

ECCTA incurred a loss of \$377 in writing off and replacing twenty, non-performing DR vehicles in fiscal year 2012 that had not been fully depreciated before year end.

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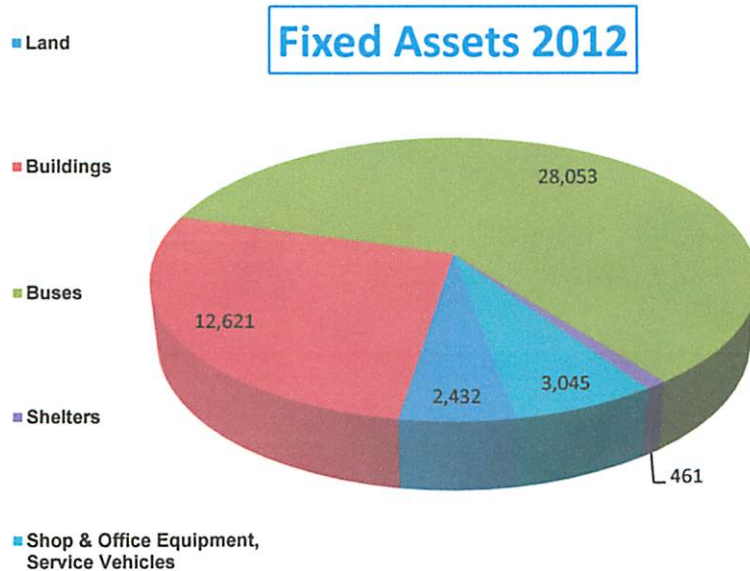
Non-operating Revenues



Capital Contributions

The Authority received significantly more capital contributions during fiscal year 2012 than in 2011 (\$5MM). Most of these capital contributions were used to replace revenue vehicles and for an electronic fare box system for the FR buses.

Revenue vehicles represent the majority of the fixed assets of ECCTA. Generally, DR buses are replaced every five years and FR buses are replaced every 12 years. Thus, capital contributions can vary significantly due to the uneven timing of bus fleet replacements.



**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
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STATEMENT OF CASH FLOWS

SUMMARY STATEMENT OF CASH FLOWS

	<i>Fiscal Year</i>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
CASH FLOWS FROM OPERATING ACTIVITIES	\$(16,692)	\$(16,348)	\$(344)
CASH FLOWS FROM NONCAPITAL FINANCING SOURCES	16,730	14,347	2,383
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(317)	87	(404)
CASH FLOWS FROM INVESTING ACTIVITIES	16	0	16
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	\$ (263)	\$ (1,914)	1,651
CASH AND CASH EQUIVALENTS, Beginning of year	1,441	3,355	
CASH AND CASH EQUIVALENTS, End of year	\$ 1,178	\$ 1,441	

The total cash, cash equivalents and investments held by the Authority at June 30, 2012 increased over June 20, 2011 by \$1,661. The increase is due to the receipt of federal preventive maintenance funds applied which were applied to maintenance costs.

INTERNAL CONTROLS AND LEGAL COMPLIANCE

ECCTA engages an independent auditor each year to audit the Authority's financial statements and to report on the Authority's internal controls in accordance with government accounting standards. Financial statements, as well as the opinion of the independent auditor and other required reports for fiscal years 2012 and 2011 are included in this package. The authority has been found to be in compliance with all requirements.

In addition to the independent auditor engaged by ECCTA, several funding sources separately audit the Authority's use of funds provided including uses and controls of the funds and for compliance with the funding requirements. In fiscal year 2012, the Authority was found to be compliant with all federal and state requirements through both federal and TDA Triennial Performance audits. ECCTA was also audited for their compliance with RM2 requirements which resulted in no findings.

FUTURE CONSIDERATIONS

Although the level of service provided over the last several years has remained relatively level, the costs of providing such service continue to experience upward pressure while the growth in available funding has declined. The availability of federal funds provided through the ARRA and State funds from two programs that were funded under California's Proposition 1B, have helped considerably in making up for the losses of sales tax based funds (TDA & STA) that dropped off precipitously due to the overall, economic slowdown.

**THE EASTERN CONTRA COSTA TRANSIT AUTHORITY
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ECCTA has been able to limit cost increases while maintaining existing levels of service where productivity was favorable over the last several years, through judicious management, drawing on reserve funds and increasing fares. The general economy and retail sales are showing improvement now and the indications are that sales tax based, operating fund sources are growing as well. The Authority anticipates that operating funds from these sources will continue to grow, returning to the levels of prior years, when economic activity was more robust. This growth combined with cost management, has allowed ECCTA to begin rebuilding fund reserves. The Authority was able to apply \$656 in excess TDA funds from fiscal year 2012 towards the TDA deficit of \$1,678 carried into the fiscal year.

The ECCTA Board of Directors approved the 2013 budget with \$20,386 in operating expenses in May of 2012. This represents a less than a 1% increase in expenditures over fiscal year 2012 and was designed around the same level of service and staffing. These costs should allow the Authority to rebuild fund reserves over several years.

The most challenging financial constraint for the near term at ECCTA will remain implementing stringent cost controls while improving service efficiencies. The Authority's near term needs for operating funds are greater than any anticipated capital funding needs. Meeting ECCTA's operating demands is hindered by the imposition of funding policies and program limits beyond those of the funding sources implemented by the designated Regional Planning Organization, the Metropolitan Transportation Commission (MTC). The majority of funds that the Authority receives (more than 70% in fiscal year 2012) are overseen by the MTC and thus subject to additional restrictions on availability and use beyond those imposed by federal and state policies. The MTC has implemented a regional, Transit Capital Priorities Program that emphasizes the use of available federal funds for capital projects designated as regionally important in front of local agency operating considerations and preferences. For all intensive purposes, this limits the ECCTA's use of available federal funds to rolling stock replacements as needed, and eliminates any opportunity for the Authority to apply such federal funds to operations when not needed for bus replacements.

ECCTA has planned to downsize the FR bus fleet in accordance with FTA spare ratio requirements. The Authority plans to reduce the FR active fleet size from 68 buses to 63 during fiscal year 2013.

ADDITIONAL INFORMATION

The Authority's financial report is designed to provide the Authority's Board of Directors, management, creditors, legislative and oversight agencies, citizens and customers with an overview of the Authority's finances and to demonstrate its accountability for funds received.

For more information about this report, please contact:

Thomas J. Harais, CFO
The Eastern Contra Costa Transit Authority
801 Wilbur Avenue
Antioch, California 94509

Authority Board meetings are held monthly, on the 4th Wednesday.

Please visit our website at www.trideltatransit.com for more information

EASTERN CONTRA COSTA TRANSIT AUTHORITY
 STATEMENTS OF NET ASSETS
 JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Unrestricted assets:		
Cash and investments	\$ 1,177,592	\$ 1,441,155
Operating receivable	1,938,041	1,898,332
Grant revenue receivable	524,393	10,000
Other receivables	127,563	97,908
Maintenance inventories and supplies- cost	647,700	667,318
Total unrestricted net assets	<u>4,415,289</u>	<u>4,114,713</u>
Restricted assets:		
PTMISEA reserves	2,953,894	924,964
CTSGP reserves	47,445	29,214
Total restricted net assets	<u>3,001,339</u>	<u>954,178</u>
Total current assets	<u>7,416,628</u>	<u>5,068,891</u>
NONCURRENT ASSETS:		
Capital assets not being depreciated	2,432,123	1,943,960
Capital assets being depreciated, net	<u>14,862,227</u>	<u>14,630,889</u>
Total Noncurrent Assets	<u>17,294,350</u>	<u>16,574,849</u>
TOTAL ASSETS	<u>\$ 24,710,978</u>	<u>\$ 21,643,740</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,255,343	\$ 2,185,710
Accrued liabilities	541,828	508,780
Total current liabilities	<u>2,797,171</u>	<u>2,694,490</u>
NET ASSETS:		
Capital invested	26,123,891	21,834,038
Unrestricted	(7,211,423)	(3,838,966)
Temporarily restricted net assets	<u>3,001,339</u>	<u>954,178</u>
Total Net Assets	<u>21,913,807</u>	<u>18,949,250</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,710,978</u>	<u>\$ 21,643,740</u>

See accompanying notes to financial statements.

EASTERN CONTRA COSTA TRANSIT AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES:		
Passenger fares	\$ 2,983,275	\$ 2,954,173
Other operating income	273,173	212,003
Total Operating Revenues	<u>3,256,448</u>	<u>3,166,176</u>
OPERATING EXPENSES:		
Purchased transportation	10,491,825	10,203,474
Materials and supplies	4,103,438	3,719,062
Salaries and benefits	3,911,248	3,753,729
Services	571,883	584,380
Casualty and liability insurance	386,028	520,453
Utilities	194,979	187,366
Other	381,502	465,751
Depreciation	2,980,021	2,960,821
Total Operating expenses	<u>23,020,924</u>	<u>22,395,036</u>
OPERATING LOSS	(19,764,476)	(19,228,860)
NON-OPERATING REVENUES:		
Federal grant revenues	2,818,467	2,182,039
State grant revenues	10,697,274	10,716,948
Local grant revenues	3,228,151	3,338,400
Non-transportation revenues	24,913	30,652
Gain (loss) on sale of equipment	<u>(377,192)</u>	-
Total Nonoperating Revenues	<u>16,391,613</u>	<u>16,268,039</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TDA OPERATING GRANT DEFICIT (SURPLUS)	(3,372,863)	(2,960,821)
CAPITAL CONTRIBUTIONS	<u>6,337,420</u>	<u>1,706,074</u>
INCREASE (DECREASE) IN NET ASSETS	2,964,557	(1,254,747)
NET ASSETS, Beginning of year	<u>18,949,250</u>	<u>20,203,997</u>
NET ASSETS, End of year	<u><u>\$ 21,913,807</u></u>	<u><u>\$ 18,949,250</u></u>

See accompanying notes to financial statements.

EASTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
JUNE 30, 2012 AND 2011

<u>STATEMENT OF CASH FLOWS</u>	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from passenger fares	\$ 2,953,620	\$ 3,013,209
Cash received from operations- other	273,173	212,003
Cash payments for purchased transportation	(10,464,911)	(10,195,955)
Cash payments to employees for services	(3,878,351)	(4,104,837)
Cash payments to suppliers for goods and services	<u>(5,575,493)</u>	<u>(5,272,049)</u>
Net cash used in operations	<u>(16,691,962)</u>	<u>(16,347,629)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State operating grants	10,657,565	9,106,996
FTA grants	2,818,467	1,911,232
Local grants	3,228,151	3,297,754
Other	25,469	30,652
Net cash provided (used in) financing activities	<u>16,729,652</u>	<u>14,346,634</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions received	3,775,460	2,007,085
Restricted reserves	-	250,799
Purchase of capital assets	<u>(4,092,363)</u>	<u>(2,171,359)</u>
Net cash provided (used in) capital and related financing activities	<u>(316,903)</u>	<u>86,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	<u>15,650</u>	<u>-</u>
Net Cash Provided by (used in) Investing Activities	<u>15,650</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH EQUIVALENTS	(263,563)	(1,914,470)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,441,155</u>	<u>3,355,625</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,177,592</u>	<u>\$ 1,441,155</u>

See accompanying notes to financial statements

EASTERN CONTRA COSTA TRANSIT AUTHORITY
 STATEMENTS OF CASH FLOWS
 JUNE 30, 2012 AND 2011

<u>STATEMENT OF CASH FLOWS</u>	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (19,764,476)	\$ (19,228,860)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,980,021	2,960,821
Effect of changes in:		
Other receivables	(29,655)	59,036
Accounts payable	69,633	205,417
Accrued liabilities	52,515	(344,043)
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>\$ (16,691,962)</u>	<u>\$ (16,347,629)</u>

See accompanying notes to financial statements

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

1. ORGANIZATION

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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public be financed or recovered primarily through user charges.

Basis of accounting - The financial activities of the Authority are accounted for under the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash Equivalents- The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents (see note 3).

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (see Note 3).

Temporarily Restricted Assets- consist of monies and other resources where the use is restricted (see Notes 4).

Capital Assets- Major additions and replacements are capitalized. Maintenance, repairs and additions of a minor nature are expensed as incurred. The cost of acquisition and construction of equipment and facilities are recorded in construction in progress until such assets are completed and placed into service, at which time the Authority commences recording depreciation expense.

Depreciation- is calculated on the straight-line method over the following estimated useful lives:

Building and structures	30 years
Transit vehicles	6 -14 years
Shop, office & other equipment & service vehicle	5-10 years

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

2. SIGNIFICANT ACCOUNTING POLICIES-continued

Contracted services - The Authority has contracted with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through the year ending June 30, 2016. The costs associated with this contract are recorded as purchased transportation.

Insurance- The Authority is insured for premises and operational bodily injury and property damage up to a limit of \$12,100,000. In addition, First Transit, Inc., as per contract (see contracted services above), provides general liability insurance with primary coverage of \$20,000,000.

Operating assistance grants- are recorded as revenue when earned.

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 assets, after non-operating revenues and expenses as capital contributions.

Operating revenues and expenses – consist of those revenues that result from ongoing principal operations of the Authority. Operating revenues consists primarily of transit fares. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions.

Net Assets – comprise the various net earnings from operating income, non-operating revenues, expenses and capital contributions. Net assets are classified in the following three components:

Capital invested – This component of net assets consists of accumulated capital grants received.

Restricted – This component of net assets consists of external constraints imposed by creditor's, grantor's, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets.

Unrestricted – this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested capital".

Compensated absences – Accumulated personal time off is recorded as an expense and liability as the benefit accrues to employees.

Retirement plans – The Authority offers two plans to its employees (Note 10).

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

2. SIGNIFICANT ACCOUNTING POLICIES-continued

Contra Costa County Measure J Grants for operations and for capital projects are recorded as revenue and contributed capital, respectively, as received.

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 (see Note 5).

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 (see Note 5).

Use of estimates - The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

At June 30, 2012 and 2011, the Authority's carrying value of cash time and demand deposits was \$1,177,592 and \$1,441,155 respectively with corresponding bank balances of \$1,354,599 and \$1,618,592 respectively. Statutes authorize the Authority to invest in various instruments including, but not limited to, obligations of the U. S. Treasury, Certificates of Deposit, Bankers Acceptances, Repurchase Agreements, and the State Treasurer's Pool. The Authority's investments, carried at cost, at June 30, 2012 of \$3,001,339 consist entirely of restricted assets (see Note 4) and are invested in the Bank of Agriculture and Commerce and collateralized with securities by the pledging financial institution's agent in the Authority's name).

Custodial credit risk- is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The California Government Code requires California banks and savings and loans associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits.

4. RESTRICTED INVESTMENTS

PTMISEA - The Public Transportation, Modernization, Improvement and Service Enhancement Account 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 9). The Authority is applying these funds to eligible capital expenditures for bus replacements. The balance at June 30, 2012 and 2011 was \$2,953,894 and \$924,964, respectively.

CTSGP - The California Transit Security Grant Program 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 9). The authority is applying these funds to eligible capital expenditures for interoperable communications and physical security enhancement equipment. The balance at June 30, 2012 and 2011 was \$47,445 and \$29,214, respectively.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

5. OPERATING ASSISTANCE

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 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, 2012 and 2011, the maximum TDA operating assistance eligibility was \$9,170,133 and \$8,410,904 respectively. During the year June 30, 2012 the TDA operating funds received was \$9,825,837 resulting in an excess amount received of \$655,704. The Authority reduced the TDA Operating Receivable at June 30, 2012 in the amount of the excess (see Note 11).

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).

RM2 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 Regional Measure 2 program. The Authority is an eligible recipient for RM2 funds and received \$531,835 in RM2 funding during fiscal year 2012 and \$531,835 during fiscal year June 30, 2011. 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, 2012 and 2011 are summarized as follows:

	2012	2011
Federal Transit Administration	\$ 2,818,467	\$ 2,182,039
Transportation Development Act	9,170,133	8,410,904
State Transit Assistance	1,527,141	2,306,044
Inter-operator agreements (BART)	1,808,581	2,003,794
Measure J - (Note 8)	887,735	802,771
RM2 Funds	531,835	531,835
Total	\$ 16,743,892	\$ 16,237,387

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

6. CAPITAL GRANTS

The Authority has received grants from the Federal Transit Administration (FTA) for the purchase of buses, facility improvements, and supporting equipment. The Authority also receives grants of local transportation funds pursuant to the Transportation Development Act (TDA) of 1971, primarily for: the acquisition of buses and support equipment, purchase of furniture and fixtures, and other 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 C), less the related amortization, are included in contributed capital.

The Authority's capital contributions for the years ended June 30, 2012 and 2011 are as follows:

Capital contributions in June 30, 2011	
U.S. Department of Transportation	\$ 3,403,732
State Grants	368,405
Other	90,020
Total capital contributions	\$ 3,862,157
Less: U.S. Department of Transportation	
Funds used for operating costs	(1,911,232)
Total	<u>\$ 1,950,925</u>
Capital contributions in June 30, 2012	
U.S. Department of Transportation	\$ 5,385,421
State Grants	933,915
Other	566,829
Total capital contributions	\$ 6,886,165
Less: U.S. Department of Transportation	
Funds used for operating costs	(2,596,311)
Total	<u>\$ 4,289,854</u>

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

7. CAPITAL ASSETS

Capital assets of the Authority at June 30, 2012, consist of the following:

	Balance July 1, 2011	Additions	Disposals\ Retirements	Balance June 30, 2012
Land	\$ 1,943,960	\$ 488,163	\$ -	\$ 2,432,123
Building & Improvements	12,440,505	180,127	-	12,620,632
Transit Vehicles	26,854,563	3,074,694	(1,875,857)	28,053,400
Equipment/service vehicles	3,156,430	349,380	-	3,505,810
Total Asset Cost	<u>44,395,458</u>	<u>4,092,364</u>	<u>(1,875,857)</u>	<u>46,611,965</u>
Less: accumulated depreciation				
Buildings & improvements	\$ 5,442,356	\$ 244,326	\$ -	\$ 5,686,682
Transit vehicles	21,130,324	2,101,647	(1,483,016)	21,748,955
Equipment	1,247,929	634,049	-	1,881,978
	<u>27,820,609</u>	<u>2,980,022</u>	<u>(1,483,016)</u>	<u>29,317,615</u>
Net Capital Assets	<u>\$ 16,574,849</u>	<u>\$ 1,112,342</u>	<u>\$ (392,841)</u>	<u>\$ 17,294,350</u>

8. MEASURE J FUNDS

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 is an eligible recipient of Measure J funds and received \$928,709 and \$890,119 in Measure J operating assistance during fiscal year 2012 and 2011 respectively, of which \$887,735 for 2012 and \$802,731 for 2011 were applied to specific fixed route and para-transit bus services per CCTA's approved program. The remaining amount of \$94,974 and \$87,348 of Measure J funds for 2012 and 2011 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 FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

9. 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 CARB compliant diesel buses. During the year ended June 30, 2012 the Authority applied for and received \$2,922,016. The activity during the year ended June 30, 2011 and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
PTMISEA beginning balance	\$ 924,964	\$ 1,087,792	\$ 1,082,885
PTMISEA Funds Received	2,922,016		
Interest earned	<u>1,680</u>	<u>5,814</u>	<u>4,907</u>
	3,848,660	1,093,606	1,087,792
 Expenditures incurred:			
Buses	(894,766)		
Shelters	<u>-</u>	<u>(168,642)</u>	<u>-</u>
 Unexpended funds at year end	 <u>\$ 2,953,894</u>	 <u>\$ 924,964</u>	 <u>\$ 1,087,792</u>

Of the \$1,082,885 in PTMISEA funds received during FYE 2010, \$882,885 will be 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.

10. EMPLOYEES' RETIREMENT PLAN

The Authority offers two plans, a 401(a) and a 457(b) plan. The plans are optional. However, in order to participate in the 401(a) plan full-time eligible employees must contribute a minimum of 4% up to a maximum 25% of their eligible compensation subject to certain limitations in the 457(b) plan. The Authority will make contributions ranging from 12% - 17% based upon the employee's years of services and classification, provided that the employee participates in the 457(b).

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

11. 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. The amount of TDA payable or receivable at year end is a the provision that the Authority makes to request or return such TDA funds. At the end of fiscal year 2012, the Authority has encountered an excess of \$655,704 in TDA Operating Funds revenues. As a result the Authority reduced the TDA Operating Receivable by the amount of the excess at June 30, 2012.

For the years ended June 2012 and 2011 the maximum TDA operating assistance eligible was \$9,170,133 and \$8,410,905 respectively. The actual TDA operating funds received for the years ended June 2012 and 2011 were \$9,825,837 and \$6,789,125 respectively. The TDA Receivable and (Payable) at the years ended June 2012 and 2011 were \$(655,704) and \$1,621,780 respectively and are arrived at as follows:

	<u>2012</u>	<u>2011</u>
TDA operating assistance allowable	\$ 9,170,133	\$ 8,410,905
Actual TDA operating assistance received	<u>(9,825,837)</u>	<u>(6,789,125)</u>
(Payable) Receivable	<u>\$ (655,704)</u>	<u>\$ 1,621,780</u>

12. 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.

13. POST EMPLOYMENT HEALTH CARE BENEFITS

The Authority provides post-employment health care benefits to certain administrative employees. The Authority accrues the liability for future post-employment benefits under the guidelines of GASB Statement No. 45. The benefits are provided to all employees who retire from the Authority on or after attaining age 62 with at least 20 years of service. The Authority will pay 100% of the current Kaiser premium rate for a full-time employee toward any medical plan selected by the qualifying former employee. The benefit will continue until the retired employee reaches the age to qualify for Medicare. There were no postretirement health care benefits paid during the 2012 and 2011 year.

As of June 30, 2012, the Authority estimated that post health care benefit costs would begin, at the earliest, in the year ending June 30, 2017.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011**

14. CONCENTRATIONS

The authority receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund and State Transit Assistance Fund created by the TDA. A significant reduction in the level of this support, if this was to occur, may have a significant effect on the operations of the Authority.

In addition, the authority also received a significant amount of funding (\$5,118,120) from the federally created American Recovery and Reinvestment Act (ARRA). This was a special one-time only funding and is not anticipated to be re-enacted or replaced. The ARRA funds expended during FY 2012 and 2011 were \$190,265 and \$2,717, 664 respectively. All ARRA funds have been fully expended.

15. CONTINGENCIES

The Authority receives funding from various governmental agencies that are subject to review and audit. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. It is the opinion of management that no material liabilities will result from such potential audits.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION

The Board of Directors,
Eastern Contra Costa Transit Authority:

We have audited the financial statements of the Eastern Contra Costa Transit Authority (the Authority) as of June 30, 2012 and have issued our report thereon dated September 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests of the Authority's compliance with certain provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by section 6667 of the TDA Act. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Based on the results of our tests, with respect to the items tested, the Authority complied in all material respects, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements. 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.

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 CARB compliant diesel buses. The activity during the year ended June 30, 2011 and 2010 are as follows:

	2012	2011
PTMISEA beginning balance	\$ 924,964	\$ 1,087,792
PTMISEA funds received	2,922,016	-
Interest earned	1,680	5,814
	<u>3,848,660</u>	<u>1,093,606</u>
Expenditures incurred:		
Buses	(894,766)	
Shelters	-	(168,642)
	<u>\$ 2,953,894</u>	<u>\$ 924,964</u>

Of the \$2,922,016 in PTMISEA funds received during FYE 2012. These funds will be matched with federal and other funds to procure replacement buses in the normal rotation of revenue vehicle replacement in the near future. The remaining funds 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.

This report is intended for the information of the Board of Directors, Authority management and officials of the applicable grantor agencies. However, this report is a matter of public record and its distribution is not limited.


 Clay, Millias & Co., LLP
 September 28, 2012

EASTERN CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Ident. Number	Federal Expenditures
U.S. Department of Transportation:			
Project # CA-90-Y920	20.507	n/a	\$ 4,664,631
Project # CA-04-0076	20.507	n/a	45,622
Project # CA-04-0164	20.507	n/a	484,903
Subtotal			<u>5,195,156</u>
American Recovery and Reinvestment Act Funds:			
Project # CA-96-X055	20.507	n/a	<u>190,265</u>
Total			<u><u>\$ 5,385,421</u></u>

EASTERN CONTRA COSTA TRANSIT AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

NOTE 1: Summary of Significant Accounting Policies:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Authority. The reporting entity is defined in Norte A to the financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are includable in the schedule.

NOTE 2: Basis of Accounting:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented in accordance with generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the financial statements.

NOTE 3: Relationship to Financial Statements

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the financial statements. Federal award revenues are reported principally in the Authority's financial statements as grant revenue.

EASTERN CONTRA COSTA TRANSIT AUTHORITY
Schedule of Findings And Questioned Costs
June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Eastern Contra Costa Transit Authority.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Eastern Contra Costa Transit Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal programs for the Eastern Contra Costa Transit Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested included the Federal Transit Capital Grants CFDA# 20.507.
8. The threshold used for distinguishing between Type A and B Programs was \$300,000.
9. Eastern Contra Costa Transit Authority qualified as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS

FINANCIAL STATEMENTS

NONE

MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

NONE

**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***

The Board of Directors,
Eastern Contra Costa Transit Authority
Antioch, California

We have audited the financial statements of the Eastern Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 statements 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Clay, Millias & Co., LLP
September 28, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Directors,
Eastern Contra Costa Transit Authority
Antioch, California

Compliance

We have audited the Eastern Contra Costa Transit Authority's (Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditor's results of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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 types of compliance requirements referred to above that could have a direct material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other such procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, Eastern Contra Costa Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Authority's is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered of the Authority's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for 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 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 is 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Metropolitan Transportation Commission, State Controller of California, 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.



Clay, Millias & Co., LLP
September 29, 2012