

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
CONCORD, CALIFORNIA**

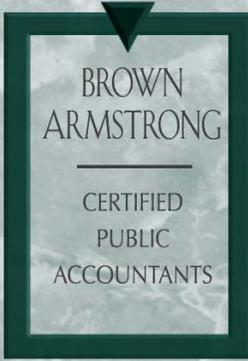
**BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2016

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
JUNE 30, 2016**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Central Contra Costa Transit Authority
Concord, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Central Contra Costa Transit Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority that collectively comprise the Authority's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements.

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2015, financial statements, and our report dated December 7, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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 the 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.

Bakersfield, California
December 15, 2016

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Introduction

The following discussion and analysis of the financial performance and activity of the Central Contra Costa Transit Authority (the Authority) provide an introduction and understanding of the basic financial statements of the Authority. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Authority was established on March 27, 1980, under a joint exercise of power agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Contra Costa (the County). A Board of Directors (the Board) composed of representatives of the member jurisdictions governs the Authority. Member jurisdictions include: Cities of Clayton, Concord, Lafayette, Martinez, Orinda, Pleasant Hill, San Ramon, Walnut Creek; Town of Moraga and Town of Danville; and County of Contra Costa. Each member jurisdiction appoints one regular representative to the Board and one alternative representative to act in the regular representative's absence.

The Authority is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state and local governments. The Authority is not subject to income tax.

The Authority currently operates an active fixed route bus fleet of 121 and has approximately 258 employees. An independent contractor operates the Para-transit service. The Authority receives funds primarily from transit fares and federal, state, and local grants. The disbursement of funds received by the Authority is set by Board policy, subject to applicable statutory requirements and by provisions of various grant contracts.

The Financial Statements

The Authority's basic financial statements include (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, and (4) the Notes to the Financial Statements. The Statement of Net Position presents information on all of the Authority's assets and deferred outflow of resources and liabilities and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position are a useful indication of an improving or deteriorating financial condition. The Statement of Revenues, Expenses, and Changes in Net Position presents the most recent fiscal year changes in net position. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

New Accounting Standards Implemented

In fiscal year 2016 the Authority adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) with no significant impact:

- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 72, improves the measuring of fair value for financial reporting purposes and enhanced disclosures about fair value hierarchy as established by accounting principles generally accepted in the United States of America.

Statement of Cash Flows

The Statement of Cash Flows is presented using the direct method and includes a reconciliation of operating cash flows to operating income. The Statement of Cash Flows basically provides detailed information about the cash received in the current and previous fiscal year and the uses of the cash received. This is the only cash-basis financial statement presented and it reconciles cash receipts and cash expenses to the beginning and ending cash on hand.

Most of the cash received by the Authority during the fiscal year was from state and local operating grants; most of the cash expenditures were for operating activities.

Financial Highlights

- Operating revenues were \$4,990,622, while operating expenses were \$37,933,097. The Authority is able to cover most of its operating expenses through operating revenue and federal, state, and local grants.

Statements of Net Position

A comparison of the Authority's Statements of Net Position as of June 30, 2016 and 2015, is as follows:

	2016	2015	2016 to 2015 Increase/Decrease	
			Amount	%
Current assets	\$ 18,538,282	\$ 20,313,861	\$ (1,775,579)	-8.74%
Noncurrent assets	44,510,812	32,214,687	12,296,125	38.17%
Total assets	63,049,094	52,528,548	10,520,546	20.03%
Deferred outflow of resources	5,052,369	1,547,445	3,504,924	226.50%
Total assets and deferred outflow of resources	\$ 68,101,463	\$ 54,075,993	\$ 14,025,470	25.94%
Current liabilities	\$ 16,419,338	\$ 18,124,914	\$ (1,705,576)	-9.41%
Noncurrent liabilities	3,393,524	1,183,440	2,210,084	186.75%
Total liabilities	19,812,862	19,308,354	504,508	2.61%
Deferred inflow of resources	5,491,701	5,284,566	207,135	3.92%
Net position				
Net investment in capital assets	44,351,294	32,207,184	12,144,110	37.71%
Unrestricted net position	(1,554,394)	(2,724,111)	1,169,717	42.94%
Total net position	42,796,900	29,483,073	13,313,827	45.16%
Total liabilities, deferred inflow of resources, and net position	\$ 68,101,463	\$ 54,075,993	\$ 14,025,470	25.94%

The Authority's net position increased \$13,313,827 to \$42,796,900 as of June 30, 2016. The increase was mainly due to the capital contributions for the purchase of 33 buses and the current GASB Statement No. 68 pension adjustment which was offset by depreciation of capital assets.

Statements of Revenues, Expenses, and Changes in Net Position

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Position for fiscal years 2016 and 2015 is as follows:

	2016	2015	2016 to 2015 Increase/Decrease	
			Amount	%
Operating revenues	\$ 4,990,622	\$ 5,145,959	\$ (155,337)	-3.02%
Operating expenses	(37,933,097)	(37,145,541)	787,556	-2.12%
Operating loss	(32,942,475)	(31,999,582)	(942,893)	-2.95%
Nonoperating revenues	28,808,879	27,400,183	1,408,696	5.14%
Capital contributions	17,447,423	2,935,527	14,511,896	494.35%
Increase (Decrease) in net position	<u>\$ 13,313,827</u>	<u>\$ (1,663,872)</u>	<u>\$ 14,977,699</u>	-900.17%

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Position is state and local operating assistance at \$25,713,041 (76% in 2016, 78% in 2015). Most of this revenue is provided under the Transportation Development Act (TDA), which returns to the County ¼ cent of the sales tax collected in the County. The Authority is allocated a portion of the sales tax returned.

Operating a public transit service is labor intensive. The Authority's operating expenses for salaries and benefits paid to employees, including the defined benefit pension adjustment, amounted to \$21,693,642 or fifty-seven percent (57%) (including GASB Statement No. 68 defined benefit pension adjustment). The next two largest categories of expense are purchased transportation (the cost of providing public transportation through an independent private contractor) and depreciation of capital assets.

Selected revenue increases (decreases) change from prior year:

	2016	2015	2016 to 2015 Increase/ Decrease
Passenger revenue	\$ 3,549,944	\$ 3,759,432	\$ (209,488)
Special transit fares	1,440,678	1,386,527	54,151
Federal operating assistance	2,237,709	1,376,873	860,836
State and local operating assistance	25,713,041	25,324,446	388,595

As shown above, there was an increase of \$860,836 in federal operating assistance, as the Authority used one time unspent grant allocations. The increase in state and local operating assistance of \$388,595 was due to additional revenue from the Lifeline grant (\$535,000), Low Carbon Transit Operations Program (LCTOP) grant (\$164,747), and an increase in TDA 4.0 (\$501,134). This was offset by State Transit Assistance (STA) revenue decreasing \$935,416. STA revenue is based on the price of diesel fuel which dropped as crude oil dropped approximately 19% (U.S. Energy Information Administration). The decrease in passenger revenue of \$209,488 was due to an increase in the number of senior mid-day free rides, while the increase in special transit fares of \$54,151 was due to an increase in services subsidized by other entities.

Capital Assets

Details of the capital assets including assets acquired under capital lease, net of accumulated depreciation as of June 30, 2016 and 2015, are as follows:

	2016	2015	2016 to 2015 Increase/(Decrease)	
			Amount	%
Land and land improvements	\$ 4,886,700	\$ 4,865,615	\$ 21,085	0.43%
Construction in process	514,765	-	514,765	100%
Shop, office, other equipment, and service vehicles	5,132,118	4,626,898	505,220	10.92%
Buildings and structures	18,286,339	18,055,373	230,966	1.28%
Revenue vehicles	61,280,592	55,539,471	5,741,121	10.34%
Total	90,100,514	83,087,357	7,013,157	8.44%
Less accumulated depreciation	(45,597,220)	(50,880,173)	5,282,953	10.38%
Net total	<u>\$ 44,503,294</u>	<u>\$ 32,207,184</u>	<u>\$ 12,296,110</u>	38.18%

At June 30, 2016, the Authority's net capital assets increased \$12,296,110 due mainly to the purchase of 33 buses. Please refer to Note 5 in the notes to the financial statements for further details.

Noncurrent Liabilities

At June 30, 2016, the Authority's noncurrent liabilities balance was \$3,393,524, compared to \$1,183,440 at June 30, 2015, which consisted of the net pension liability, compensated absences, capital lease, and self-insurance liabilities. The increase is mainly due to pension liabilities increasing \$2,128,073 from the previous year. Please refer to Notes 7, 8, 12, and 13 in the notes to the financial statements for further details.

Overall Financial Condition

The impacts of the great recession in 2009 are still felt today from the reduced service and staff. This was also the last time the Authority increased fares. The Authority does not anticipate a need for either a service reduction or fare increase in fiscal year 2017. The Authority will need to be diligent and continue to monitor rising pension and medical costs and the impacts of declining price of diesel fuel from a revenue source to an operational cost.

Contacting the Authority's Financial Management

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 additional information about this report, please contact Erick Cheung, Director of Finance, at 2477 Arnold Industrial Way, Concord, California 94520.

BASIC FINANCIAL STATEMENTS

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 13,409,881	\$ 14,840,429
Capital and operating grants receivable	3,562,616	3,688,800
Materials and supplies	897,492	928,523
Other receivables, net of allowance (\$11,960 and \$13,460, respectively)	603,876	590,947
Prepaid expenses	64,417	265,162
Total Current Assets	18,538,282	20,313,861
Noncurrent Assets		
Other post-employment benefits asset (Note 11)	7,518	7,503
Capital assets, net, including assets acquired under capital lease (Note 5)	44,503,294	32,207,184
Total Noncurrent Assets	44,510,812	32,214,687
Total Assets	\$ 63,049,094	\$ 52,528,548
DEFERRED OUTFLOW OF RESOURCES (Note 7)		
	\$ 5,052,369	\$ 1,547,445
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 68,101,463	\$ 54,075,993
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,396,244	\$ 2,286,119
Capital lease (Notes 12 and 13)	38,000	-
Due to other government, TDA payable (Note 14)	4,975,435	2,865,720
Advances from grantors	322,645	287,500
Advances from PTMISEA (Note 6)	7,149,905	9,815,818
Compensated absences (Note 13)	942,766	1,015,022
Other accrued liabilities	660,230	943,356
Self-insurance liabilities (Notes 8 and 13)	934,113	911,379
Total Current Liabilities	16,419,338	18,124,914
Noncurrent Liabilities		
Capital lease (Notes 12 and 13)	114,000	-
Compensated absences (Note 13)	216,868	32,952
Self-insurance liabilities (Notes 8 and 13)	427,897	643,802
Net pension liability (Note 7)	2,634,759	506,686
Total Noncurrent Liabilities	3,393,524	1,183,440
Total Liabilities	\$ 19,812,862	\$ 19,308,354
DEFERRED INFLOW OF RESOURCES (Note 7)		
	\$ 5,491,701	\$ 5,284,566
NET POSITION		
Net investment in capital assets	\$ 44,351,294	\$ 32,207,184
Unrestricted	(1,554,394)	(2,724,111)
Total Net Position	\$ 42,796,900	\$ 29,483,073
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	\$ 68,101,463	\$ 54,075,993

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

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS)

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Passenger fares	\$ 3,549,944	\$ 3,759,432
Special transit fares	<u>1,440,678</u>	<u>1,386,527</u>
Total Operating Revenues	<u>4,990,622</u>	<u>5,145,959</u>
Operating Expenses		
Salaries and benefits	22,863,358	21,396,087
Materials and supplies	2,273,864	2,761,506
Services	1,697,825	1,775,371
Purchased transportation	5,458,921	5,151,072
Insurance	685,551	627,088
Other	305,691	312,727
Utilities	284,645	256,395
Taxes	193,913	250,077
Leases and rentals	44,983	40,454
Defined benefit pension adjustment	(1,169,716)	(813,319)
Depreciation	<u>5,294,062</u>	<u>5,388,083</u>
Total Operating Expenses	37,933,097	37,145,541
Operating Loss	(32,942,475)	(31,999,582)
Nonoperating Revenues		
Federal operating assistance	2,237,709	1,376,873
State and local operating assistance	25,713,041	25,324,446
Advertising revenue	599,100	586,768
Interest income	40,642	15,307
Other revenue	82,784	93,083
Gain on sale of capital assets	<u>135,603</u>	<u>3,706</u>
Total Nonoperating Revenues	<u>28,808,879</u>	<u>27,400,183</u>
Net Loss Before Capital Contributions	(4,133,596)	(4,599,399)
Capital Contributions		
Grants restricted for capital expenditures (Note 3)	<u>17,447,423</u>	<u>2,935,527</u>
Increase (Decrease) in Net Position	13,313,827	(1,663,872)
Total Net Position, Beginning of Year	29,483,073	36,204,071
Prior Period Adjustment	<u>-</u>	<u>(5,057,126)</u>
Total Net Position, Beginning of Year, as Restated	<u>29,483,073</u>	<u>31,146,945</u>
Total Net Position, End of Year	<u>\$ 42,796,900</u>	<u>\$ 29,483,073</u>

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS)**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,977,693	\$ 5,206,152
Payments to employees (salaries and benefits)	(23,228,010)	(21,417,649)
Payments to suppliers	(11,603,492)	(14,196,775)
Net Cash Used in Operating Activities	(29,853,809)	(30,408,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	1,874,494	1,376,873
State and local operating grants	26,912,095	26,075,445
Other noncapital revenue	684,384	679,851
Net Cash Provided by Noncapital Financing Activities	29,470,973	28,132,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	144,855	27,000
Proceeds from capital lease	190,000	-
Principal payments on capital lease	(38,000)	-
Capital grants received	16,214,214	7,750,802
Capital asset purchases	(17,599,423)	(2,935,527)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(1,088,354)	4,842,275
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	40,642	15,307
Net Increase (Decrease) in Cash and Cash Equivalents	(1,430,548)	2,581,479
Cash and Cash Equivalents, Beginning of Year	14,840,429	12,258,950
Cash and Cash Equivalents, End of Year	\$ 13,409,881	\$ 14,840,429

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

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE TOTALS)

	2016	2015
Operating Loss	\$ (32,942,475)	\$ (31,999,582)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	5,294,062	5,388,083
Changes in assets, deferred outflow of resources, liabilities, and deferred inflow of resources:		
Decrease in receivables	(12,929)	60,193
Decrease in materials and supplies	31,031	91,380
Decrease (Increase) in prepaid expenses	200,745	(205,399)
(Increase) in other assets related to other post-employment benefits	(15)	(11,871)
(Decrease) in accounts payable	(889,875)	(2,908,066)
(Decrease) in net pension liability and related items	(1,169,716)	(813,319)
(Decrease) in other liabilities and compensated absences	(364,637)	(9,691)
Net Cash Used in Operating Activities	\$ (29,853,809)	\$ (30,408,272)

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

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Contra Costa Transit Authority (the Authority) was created in 1980 under a joint exercise of power agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Contra Costa (the County). The Authority is governed by a Board of Directors (the Board) composed of representatives of the member jurisdictions, which include the Cities of Clayton, Concord, Lafayette, Martinez, Orinda, Pleasant Hill, San Ramon, Walnut Creek; the Town of Moraga and the Town of Danville; and the County of Contra Costa. Each member jurisdiction appoints one regular representative to the Board and one alternate representative to act in the regular representative's absence.

The Authority is considered a primary government since it has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

A. Basis of Accounting and Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statements are accounted for as a Business-Type Activity, as defined by GASB, and are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Contributed Capital/Reserved Retained Earnings

The Authority receives grants from the Federal Transit Administration (FTA) and other agencies of the U.S. Department of Transportation and state and local transportation funds for the acquisition of transit-related equipment and improvements. Prior to July 1, 2001, capital grants were recognized as donated capital to the extent that project costs under the grant had been incurred. Capital grant funds earned, less amortization equal to accumulated depreciation of the related assets, were included in contributed capital. As required by current GASB standards, the Authority includes capital grants in the determination of net income resulting in an increase in net revenue of \$17,447,423 for the fiscal year ended June 30, 2016.

Contributed capital and reserved retained earnings are presented in the net position section as net investment in capital assets and unrestricted net position.

Net Position

Net position represents the residual interest in the Authority's assets and deferred outflow of resources after liabilities and deferred inflow of resources are deducted. Net position is presented in three broad components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets includes capital assets net of accumulated depreciation attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted.

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

The financial statements consist of (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Changes in Net Position, (3) the Statement of Cash Flows, and (4) the Notes to the Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting and Presentation (Continued)

Classification of Revenue

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Enterprise Funds' principal ongoing operational activities. Charges to customers represent the Authority's principal operating revenues and include passenger fees and special transit fares. Operating expenses include the cost of operating maintenance and support of transit services and related capital assets, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating or other revenues and expenses.

B. Use of Estimates

The preparation of financial statements in conformity with 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.

C. Cash and Cash Equivalents

Certain cash and cash equivalents are classified as restricted because their use is limited by applicable contracts or stipulations of the granting agency. Some of these restricted funds are required to be maintained in separate bank accounts. For the purpose of the Statement of Cash Flows, the Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, including cash and cash equivalents restricted for capital projects. At June 30, 2016, the Authority considered all of its cash and investments to be cash and cash equivalents.

D. Materials and Supplies

Materials and supplies are stated at cost using the first-in, first-out (FIFO) method.

E. Capital Assets

Capital assets are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

Buildings and structures	30 years
Revenue transit vehicles	9-13 years
Shop, office, other equipment, and service vehicles	3-10 years

Depreciation expense on assets acquired with capital grant funds is transferred to net position, net investment in capital assets, after being charged to operations.

Major improvements and betterments to existing property, buildings, and equipment are capitalized. Costs for maintenance and repairs which do not extend the useful lives of the applicable assets are charged to expense as incurred. Upon disposition, costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

F. Deferred Outflow and Inflow of Resources

A deferred outflow of resources is defined as a consumption of net position by the Authority that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position that is applicable to a future reporting period. The Authority has deferred outflow of resources and deferred inflow of resources related to the California Public Employees' Retirement System (CalPERS) defined benefit plan. Refer to Note 7 for more information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Self-Insurance Liabilities

The Authority is self-insured for public liability and property damage for the first \$250,000 for each occurrence. Claims between \$250,000 and \$1,000,000 are insured through a compensation pool with the California Transit Systems Joint Powers Insurance Authority (CalTIP) and claims in excess of \$1,000,000 are insured with excess insurance purchased through CalTIP up to \$25 million per occurrence. Additionally, the Authority is insured for workers' compensation claims with the Local Agency Workers' Compensation Excess (LAWCX). Refer to Note 8 for further descriptions. The Authority has recorded a liability for estimated claims to be paid.

H. Capital and Operating Grants

Federal, state, and local governments have made various grants available to the Authority for operating assistance and acquisition of capital assets. Grants for operating assistance, the acquisition of equipment, or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of the Authority's compliance with appropriate grant requirements.

Operating assistance grants are included in nonoperating revenues in the year in which the grant is applicable and the related reimbursable expense is incurred. Under the accrual basis of accounting, revenue may be recognized only when earned. Therefore, enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Grants received in excess of allowable expenses are recorded as due to other government and advances (refer to Notes 6 and 13).

I. Defined Benefit Pension

For purposes of measuring the net pension liability and deferred outflow/inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's CalPERS plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Other pension costs are recognized when pension contributions are made, which are determined by the annual actuarial valuations.

J. Compensated Absences

Vacation benefits are accrued when earned and reduced when used. Sick leave, holiday pay, and other absence pay are expensed when used.

K. Funding Sources/Programs

Transportation Development Act (TDA)

The Local Transportation Fund was created under the TDA to collect ¼ cent of the State's 7 percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county based on the amount of tax collected in that county. TDA funds are apportioned, allocated, and paid in accordance with allocation instructions from the Metropolitan Transportation Commission to the Authority for specific transportation purposes.

State Transit Assistance (STA)

This program provides a second source of funding for transportation planning and mass transportation purposes as specified by California legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Funding Sources/Programs (Continued)

Federal Transportation Assistance

FTA represents funding from within the U.S. Department of Transportation to assist local transportation needs.

Measure J Funds

This represents a local sales tax allocation administered by the Contra Costa Transportation Authority to claimants for transportation purposes within the County.

L. Date of Management's Review

Subsequent events were evaluated through December 15, 2016, which is the date the financial statements were available to be issued.

M. Implementation of New Accounting Pronouncements

Statement No. 72	<i>Fair Value Measurement and Application</i>	The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.
Statement No. 73	<i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.
Statement No. 76	<i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2015. There was no effect on the Authority's accounting or financial reporting as a result of implementing this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Implementation of New Accounting Pronouncements (Continued)

Statement No. 79	<i>Certain External Investment Pools and Pool Participants.</i>	The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for reporting periods beginning after December 15, 2015. This statement establishes specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to the fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost based measurement for financial reporting purposes. There was no material impact on the Authority's financial statements as a result of the implementation of this statement.
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N. Future Accounting Pronouncements

GASB Statements Nos. 74-82 listed below will be implemented in future financial statements:

Statement No. 74	<i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Authority has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.
Statement No. 75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Authority has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.
Statement No. 77	<i>Tax Abatement Disclosures</i>	The provisions of this statement are effective for reporting periods after December 15, 2015. The Authority has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.
Statement No. 78	<i>Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2015. The Authority has not determined the impact, if any, upon implementation of this statement.
Statement No. 80	<i>Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The Authority has determined this statement will not apply.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Future Accounting Pronouncements (Continued)

Statement No. 81	<i>Irrevocable Split-Interest Agreements</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2016. The Authority has not determined the impact, if any, upon implementation of this statement.
Statement No. 82	<i>Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2016 except for the requirements of paragraph 7 in circumstances in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority has not determined the impact, if any, upon implementation of this statement.

O. Reclassifications

Certain amounts in the financial statements have been reclassified to be consistent and comparable from year to year.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash on hand	\$ 450
Cash in banks	1,278,206
Investments	<u>12,131,225</u>
	<u>\$ 13,409,881</u>

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	100%	50%
U.S. Treasury Obligations	5 years	100%	50%
U.S. Agency Securities	5 years	100%	50%
Negotiable Certificates of Deposit*	5 years	30%	30%
County Pooled Investment Funds	N/A	100%	50%
Local Agency Investment Fund (LAIF)	N/A	100%	100%

* Limited to nationally or state-chartered bank of a state or federal association (as defined by California Financial Code Section 5102) or by a state-licensed branch of a foreign bank. The maximum investment in a certificate of deposit shall not exceed the shareholder's equity in any depository bank; the total net worth of any depository savings association; or the total or unimpaired capital and surplus of any credit union or industrial loan company.

The Authority shall not invest any funds in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. The Authority shall not invest any funds in any security that could result in zero interest accrual if held to maturity. The limitation does not apply to investments in shares of beneficial interest issued by diversified management companies as set forth in California Government Code Section 53601.6. In addition, the portfolio should consist of a mix of authorized types of investments. With the exception of investments in the California State LAIF, no more than fifty percent (50%) of the Authority's portfolio shall be deposited or invested in a single security type or with a single financial institution.

Investment in State Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair valuation of the pooled investment program portfolio. In addition, the State Treasurer's Office performs a monthly fair valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**Disclosures Relating to Interest Rate Risk** (Continued)

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

Investment Type	Amount	Remaining Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	\$ 12,131,225	\$ 12,131,225	\$ -	\$ -	\$ -

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40, *Deposit and Investment Risk Disclosures—An Amendment of GASB Statement No. 3*, does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
LAIF	\$ 12,131,225	N/A	\$ -	\$ -	\$ -	\$ 12,131,225

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$1,280,266 of the Authority's deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts as of June 30, 2016.

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Authority did not have any investments in any one issuer (other than external investment pools) that represent 5% or more of total Authority's investments at June 30, 2016.

NOTE 3 – CAPITAL GRANTS

The Authority receives grants from the FTA, which provide financing primarily for the acquisition of rolling stock. The Authority also receives grants under the State TDA and State Toll Bridge revenue programs primarily for the acquisition of rolling stock and support equipment, and the purchase of furniture and fixtures.

A summary of federal, state, and local grant activity for the year ended June 30 is as follows:

Federal grants	\$ 13,342,107
State grants	3,079,397
TDA (local transportation grants)	<u>1,025,919</u>
Total Capital Assistance	<u>\$ 17,447,423</u>

NOTE 4 – OPERATING GRANTS

The Authority receives local transportation fund allocations pursuant to the 1971 State TDA. These funds are generated within the County and are allocated based on annual claims filed by the Authority and approved by the Metropolitan Transit Commission (MTC). Generally, the maximum annual TDA assistance the Authority can receive is limited to its actual operating costs less fare revenues received, federal operating assistance received, and other local operating assistance (toll bridge revenue allocations, local sales tax allocations, and related interest income). In computing the maximum TDA assistance eligibility, the Authority excludes safe harbor lease income, which for the year ended June 30, 2016, was \$6,150. For the year ended June 30, 2016, the Authority's maximum TDA assistance eligibility was \$15,713,921.

During the fiscal year ended June 30, 2016, the Authority earned \$5,650,643 of Measure J funds from the Contra Costa Transportation Authority, which is included in state and local operating assistance. These funds, derived from sales and use taxes, are to be used for bus services to alleviate congestion and improve mobility; transportation for seniors and people with disabilities; express bus service; and bus transit improvements.

Federal operating assistance funds have also been received pursuant to Sections 8 and 9 of the Urban Mass Transportation Act of 1974 (now FTA). These funds are apportioned to the local urbanized area and allocated to individual transit operators by MTC after FTA approval. Expenses of federal operating assistance funds are subject to final audit and approval by MTC and the FTA.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity at June 30 is shown below:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Construction in process	\$ 122,471 *	\$ 392,294	\$ -	\$ 514,765
Land	2,704,785	-	-	2,704,785
Total Capital Assets Not Being Depreciated	2,827,256	392,294	-	3,219,550
Capital Assets Being Depreciated:				
Land improvements	2,160,830	21,085	-	2,181,915
Shop, office, other equipment, and service vehicles	4,504,427 *	658,202	(30,511)	5,132,118
Buildings and structures	18,055,373	230,966	-	18,286,339
Revenue vehicles	55,539,471	16,296,875	(10,555,754)	61,280,592
Total Capital Assets Being Depreciated	80,260,101	17,207,128	(10,586,265)	86,880,964
Less Accumulated Depreciation for:				
Land improvements	2,098,048	14,744	(3)	2,112,789
Shop, office, other equipment, and service vehicles	3,626,330	279,789	(28,898)	3,877,221
Buildings and structures	11,706,799	735,858	(301)	12,442,356
Revenue vehicles	33,448,996	4,263,671	(10,547,813)	27,164,854
Total Accumulated Depreciation	50,880,173	5,294,062	(10,577,015)	45,597,220
Total Capital Assets Being Depreciated, Net	29,379,928	11,913,066	(9,250)	41,283,744
Total Capital Assets, Net	\$ 32,207,184	\$ 12,305,360	\$ (9,250)	\$ 44,503,294

* Reclassification of prior year amounts as construction in progress was not separately grouped.

Depreciation expense for the year ended June 30, 2016, was \$5,294,062.

NOTE 6 – ADVANCES FROM PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2016, the Authority received funds of \$615,578 for the Martinez shuttle and electric trolleys, and interest of \$34,794 from the State's PTMISEA account. As of June 30, 2016, there were \$3,316,285 of expenses incurred related to rolling stock replacement, facility rehab, lifeline bus stop and the Martinez shuttle. The remaining proceeds of \$7,149,905, which includes accrued interest, was deferred as shown in the schedule below. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

NOTE 6 – ADVANCES FROM PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) (Continued)

Advances from PTMISEA, beginning of year	\$ 9,815,818
Proposition 1B (PTMISEA) funds allocated	615,578
Proposition 1B (PTMISEA) interest earned	34,794
Proposition 1B (PTMISEA) expenses	<u>(3,316,285)</u>
Advances from PTMISEA, end of year	<u>\$ 7,149,905</u>

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Authority’s Plan. The Plan is an agent multiple-employer defined benefit pension plan administered by CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website. The Authority’s Plan is referred to by CalPERS as the Miscellaneous Plan.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. California Public Employees’ Pension Reform Act (PEPRA) Members with five years of service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the California Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2016, are summarized as follows:

Hire Date	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit Formula	2%@60	2%@62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	50	52
Monthly Benefits, as a Percentage of Eligible Compensation	1.092%-2.418%	1.000%-2.500%
Required Employee Contribution Rates	7.000%	6.750%
Required Employer Contribution Rates	8.997%	8.997%

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered – At June 30, 2016, the following employees were covered by the benefit terms for the Plan as of the June 30, 2014 actuarial valuation:

	<u>Miscellaneous</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	169
Inactive Employees Entitled to but not yet Receiving Benefits	129
Active Employees	<u>254</u>
Total	<u><u>552</u></u>

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2015 (the measurement date), the average active employee contribution rate is 7.00% of annual pay, and the employer’s contribution rate is 8.997% of annual payroll. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

B. Net Pension Liability

The Authority’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies (1)
Investment Rate of Return	7.65% (2)
Mortality	Derived using CalPERS’ Membership Data for all funds. (3)
Post-Retirement Benefit Increase	Contract cost of living adjustment (COLA) up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter.

(1) Depending on age, service, and type of employment.

(2) Net of pension plan investment expenses and administrative expenses, including inflation.

(3) The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report from CalPERS.

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require the CalPERS’ Board to take action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	(0.55)%	(1.05)%
Total	100.00%		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

C. Changes in the Net Pension Liability

The changes in the net pension liability are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014 (Valuation Date)	\$ 77,211,798	\$ 76,705,112	\$ 506,686
Changes in the year:			
Service Cost	1,918,011	-	1,918,011
Interest on the Total Pension Liability	5,722,716	-	5,722,716
Differences between Actual and Expected Experience	(576,058)	-	(576,058)
Changes in Assumptions	(1,429,806)	-	(1,429,806)
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	947,246	(947,246)
Contribution - Employee (Paid by Employer)	-	432,811	(432,811)
Contribution - Employee	-	515,306	(515,306)
Net Investment Income*	-	1,698,644	(1,698,644)
Benefit Payments, Including Refunds of Employee Contributions	(2,716,414)	(2,716,414)	-
Administrative Expenses	-	(87,217)	87,217
Net Changes during 2014-15	2,918,449	790,376	2,128,073
Balance at June 30, 2015 (Measurement Date)*	\$ 80,130,247	\$ 77,495,488	\$ 2,634,759

* Net of administrative expenses.

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability/(Asset)	\$ 13,664,674	\$ 2,634,759	\$ (6,506,306)

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

D. Pension Expenses and Deferred Outflow/Inflow of Resources Related to Pensions

For the year ended June 30, 2016, the Authority recognized a defined benefit pension adjustment (pension expense) of \$1,169,716. At June 30, 2016, the Authority reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Pension Contributions Subsequent to Measurement Date	\$ 1,758,263	\$ -
Changes in Assumptions	-	(1,089,376)
Differences between Actual and Expected Experience	-	(438,901)
Net Differences between Projected and Actual Earnings on Plan Investments	3,294,106	(3,963,424)
Total	<u>\$ 5,052,369</u>	<u>\$ (5,491,701)</u>

\$1,758,263 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Year Ended June 30,	Deferred Outflow/(Inflow) of Resources
2016	\$ (975,203)
2017	(975,203)
2018	(975,201)
2019	728,012
Total	<u>\$ (2,197,595)</u>

E. Payable to the Pension Plan

At June 30, 2016, the Authority reported a payable of \$172,573 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 8 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is self-insured for public liability and property damage up to \$250,000 per occurrence. Claims between \$250,000 and \$1,000,000 are insured through the CalTIP, a joint powers agency (risk sharing pool) established in 1987 to provide an independently managed self-insurance program for member transit operators. Claims in excess of the pool limit are covered by excess insurance purchased by CalTIP up to \$25 million per occurrence. Specifically, the Authority has the following forms of coverage through CalTIP:

- bodily injury liability,
- property damage liability,
- public officials errors and omissions liability, and
- personal injury liability.

The purpose of CalTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense.

The Authority makes payments to CalTIP based on actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of \$454,267 at June 30, 2016, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, for Public Entity Risk Pools, and for Entities Other Than Pools*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability relates to the Authority's self-insured retention for its insurance program.

As of July 1, 2001, the Authority obtained insurance coverage relating to workers' compensation claims through the LAWCX, a joint powers agency (risk sharing pool) established in 1992 as a state-wide joint powers authority. Currently, there are 34 members consisting of 23 municipalities, 10 joint powers authorities, and 1 special district. The Authority is self-insured up to \$250,000 per occurrence. Claims between \$250,000 and \$5,000,000 are covered by LAWCX. The Authority pays an annual premium to the pool. LAWCX also is a member of California State Association of Counties Excess Insurance Authority (CSAC-EIA), which purchases ACE American Insurance \$45 million excess of \$5 million and National Union Fire Insurance Co. statutory coverage excess of \$50 million. CSAC-EIA is a member-directed risk sharing pool of counties and public entities committed to providing risk coverage programs and risk management services.

The Authority makes payments to LAWCX on the actuarial estimates of the amounts needed to pay prior year and current year claims. The claims liability of \$907,743 at June 30, 2016, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This liability relates to the Authority's self-insured retention for its insurance program.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Authority has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the Authority believes that any required reimbursements will not be material.

Additionally, the Authority is involved in various lawsuits, claims, and disputes, which for the most part are normal to the Authority's operations. In the opinion of Authority management, the costs that might be incurred, if any, would not materially affect the Authority's financial position or results of operations.

NOTE 10 – CASH RESERVE FUNDS

The Authority has designated two cash reserve funds as follows:

Safe Harbor Lease Reserve

The Authority maintains a reserve fund consisting of proceeds from the sale of federal income tax benefits under the safe harbor lease provisions of the Tax Equity and Fiscal Responsibility Act of 1982. The funds held are designated by the Authority's Board as a reserve against future unanticipated operating and capital funding shortfalls. As of June 30, 2016, this fund, including accrued interest, totaled \$1,450,959.

Self-Insurance Reserve

The Authority is self-insured for public liability and property damage up to \$250,000 for each occurrence. For workers' compensation claims, it is also self-insured up to \$250,000 per occurrence. Claims in excess of this amount are insured. Refer to Note 8 for further description. The Authority has designated a cash reserve fund to cover anticipated liability and damage claims not covered by insurance. The Authority reserves for reported actual and estimated incurred claims. The reserve for public liability and property damage as of June 30, 2016, totaled \$454,267, and for the workers' compensation totaled \$907,743.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The Authority's Healthcare Insurance Benefits Program is a defined benefit post-employment healthcare plan in which retirees are eligible to participate. Benefits are provided through the CalPERS Health Benefits Program for all administrative employees and transit operators who retire from the Authority at or after age 50 with at least 5 years of service, or if a PEPRA member, after age 52 with at least 5 years of service. As of June 30, 2016, the Authority had 174 actives and 50 retirees participating in the health benefits program. The Authority pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the Authority.

Annual Other Post-Employment Benefit (OPEB) Cost and Net OPEB Obligation

The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. During fiscal year 2010, the Authority established an irrevocable trust to secure OPEB contributions for beneficiaries. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For fiscal year 2015-16, the Authority's annual OPEB cost was \$726,531. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016, were as follows:

	<u>2016</u>
Annual required contribution	\$ 726,531
Interest on net OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost	<u>726,531</u>
Contributions made	(604,807)
Implicit CalPERS subsidy	<u>(121,739)</u>
Change in net OPEB obligation (asset)	(15)
Net OPEB obligation (asset) - beginning of year	<u>(7,503)</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ (7,518)</u></u>

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Annual Other Post-Employment Benefit (OPEB) Cost and Net OPEB Obligation (Continued)

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year 2015-16 and the two preceding years are as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>CalPERS Implicit Subsidy</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
2014	\$ 485,538	\$ 484,379	\$ -	99.76%	\$ 4,368
2015	502,513	514,384	-	102.36%	(7,503)
2016	726,531	604,807	121,739	100.00%	(7,518)

Funding Policy, Funded Status, and Funding Progress

The Authority's required contribution for 2015-16 was based on fully funded financing requirements. For fiscal year 2015-16, the Authority contributed \$604,807 to the plan.

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8,785,647, and the unfunded portion was \$6,753,467. The covered payroll (annual payroll of active employees covered by the plan) was \$13,209,132, and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 51.13%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the ARC of the Authority are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

**Table 1
Actuarial Methods and Assumptions**

Valuation Date	July 1, 2015
Funding Method	Entry Age Normal Cost, level percent of pay *
Asset Valuation Method	Market value of assets
Long-Term Return on Assets	5.1%
Discount Rate	5.1%
Participants Valued	Only current active employees, retired participants, and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, used only to allocate the cost of benefits between service years
Assumed Increase for Amortization Payments	3.0% per year where determined on a percent of pay basis
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the CalPERS using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using Bickmore Scale 2014 to year 2014.

Mortality Before Retirement Mortality rates in the table below are from the CalPERS experience study, adjusted as described above. These rates were then adjusted on a generational basis by Bickmore Scale 2014 to anticipate future mortality improvement.

CalPERS Public Agency Miscellaneous Non-Industrial Deaths Only		
Age	Male	Female
15	0.00020	0.00015
20	0.00028	0.00018
30	0.00051	0.00027
40	0.00070	0.00047
50	0.00147	0.00103
60	0.00340	0.00201
70	0.00619	0.00408
80	0.01157	0.00918

* The level percent of pay aspect of the funding method refers to how the normal cost is determined. Use of level percent of pay cost allocations in the funding method is separate from and has no effect on a decision regarding use of a level percent of pay or level dollar basis for determining amortization payments.

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used for rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest, were based on a standard set of actuarial assumptions modified as appropriate for the Authority. Participation in post-employment benefits was based on Authority experience. Healthcare inflation rates are based on actuarial analysis of recent Authority experience and actuarial knowledge of the general healthcare environment. The Authority's UAAL is being amortized as a level percentage of payroll on a closed basis over 30 years. The remaining amortization period as of July 1, 2015, was 24 years.

Retiree Health Savings Plan Trust

On June 20, 2013, the Board approved the establishment of a Retirement Health Savings Program Trust to provide a one-time contribution of \$15,000 per eligible employee for current employees who had been in the CalPERS medical program since March 1, 1990. The total number of employees that were eligible for this one-time contribution was 10 employees. Benefits are provided through the Vantage Care Retirement Health Savings Plan. Each individual's account will become fully vested upon death, disability, separation from service, or attainment of eligibility as outlined in the trust adoption agreement. The Authority made the \$150,000 payment and was reflected in the June 30, 2013 year-end.

NOTE 12 – CAPITAL LEASE

On May 27, 2014, the Authority entered into a capital lease agreement with a value of \$212,000 for Solar Panel signs. Under the agreement, title passes to the Authority upon expiration of the lease period.

<u>Solar Panel signs</u>	<u>2016</u>
Payable \$38,000 per year with no interest. Required annual payments are due as follows.	<u>\$ 152,000</u>
Less Current Portion	<u>38,000</u>
Long-Term Portion	<u><u>\$ 114,000</u></u>

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 38,000	\$ -	\$ 38,000
2017	38,000	-	38,000
2018	38,000	-	38,000
2019	<u>38,000</u>	<u>-</u>	<u>38,000</u>
Total	<u><u>\$ 152,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 152,000</u></u>

The Authority will not receive sublease rental revenues nor pay any contingent rentals for the Solar Panel signs.

NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities at June 30, 2016, follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Self-Insurance Liabilities	\$ 1,555,181	\$ 661,634	\$ 854,805	\$ 1,362,010	\$ 934,113
Compensated Absences	1,047,974	929,507	817,847	1,159,634	942,766
Capital Lease	-	190,000	38,000	152,000	38,000
Totals	<u>\$ 2,603,155</u>	<u>\$ 1,781,141</u>	<u>\$ 1,710,652</u>	<u>\$ 2,673,644</u>	<u>\$ 1,914,879</u>

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

The Authority received TDA funds under Articles 4 and 4.5 (two subsections: 99260(a) and 99275) of the California Public Utilities Code for the fiscal year ended June 30, 2016. TDA funds received pursuant to these Sections of the California Public Utilities Code may be used for public transportation services and community transit services, respectively. According to the underlying TDA allocation instructions issued by the MTC, eligible costs must be incurred on or before June 30 of the fiscal year for which funds are allocated. Unused portions must revert back to the County's Local Transportation Fund (LTF).

A summary of LTF allocations, corresponding expenses, and portion to be returned to the County's LTF as of the fiscal year ended June 30 follows:

LTF Allocations for Public Transportation Services:	
99260(a)	\$ 17,403,527
Less: applicable expenses	<u>(14,877,616)</u>
Unused portion to revert back to (balance due from) the County's LTF (Current Year)	<u>2,525,911</u>
Prior year unused portion not returned	<u>2,449,524</u>
Total Unused Portion to Revert Back to the County's LTF	<u>4,975,435</u>
LTF Allocations for Community Transit Services:	
99275 and 99260(a)	829,680
Less: applicable expenses	<u>(829,680)</u>
Unused portion to revert back to the County's LTF	<u>-</u>
Total Due Back to the County's LTF	<u>\$ 4,975,435</u>

NOTE 15 – EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN

Employees of the Authority may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Authority. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. Employees are allowed loans under the IRC Section 457 rules.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of IRC Section 457 Deferred Compensation Plans, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the employee.

REQUIRED SUPPLEMENTARY INFORMATION

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DURING THE MEASUREMENT PERIOD
AS OF JUNE 30, 2015
LAST 10 YEARS***

Measurement Period	2015	2014
Total Pension Liability		
Service Cost	\$ 1,918,011	\$ 1,994,470
Interest on Total Pension Liability	5,722,716	5,409,869
Change of Benefit Terms	-	-
Changes in Assumptions	(1,429,806)	-
Differences between Expected and Actual Experience	(576,058)	-
Benefit Payments, Including Refunds of Employee Contributions	(2,716,414)	(2,653,773)
Net Change in Total Pension Liability	2,918,449	4,750,566
Total Pension Liability - Beginning	77,211,798	72,461,232
Total Pension Liability - Ending (a)	\$ 80,130,247	\$ 77,211,798
Plan Fiduciary Net Position		
Contributions - Employer	\$ 947,246	\$ 917,689
Contributions - Employee (Paid by Employer)	432,811	509,838
Contributions - Employee	515,306	447,265
Net Investment Income**	1,698,644	11,507,514
Benefit Payments, Including Refunds of Employee Contributions	(2,716,414)	(2,653,773)
Administrative Expenses	(87,217)	-
Net Change in Plan Fiduciary Net Position	790,376	10,728,533
Plan Fiduciary Net Position - Beginning	76,705,112	65,976,579
Plan Fiduciary Net Position - Ending (b)	\$ 77,495,488	\$ 76,705,112
Net Pension Liability - Ending [(a) - (b)]	\$ 2,634,759	\$ 506,686
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.71%	99.34%
Covered-Employee Payroll	\$ 13,613,535	\$ 13,553,073
Net Pension Liability as a Percentage of Covered-Employee Payroll	19.35%	3.74%

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
DURING THE MEASUREMENT PERIOD (Continued)
AS OF JUNE 30, 2015
LAST 10 YEARS***

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation; therefore, there are only two years shown.

** Net investment income is net of administrative expenses.

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014.

Changes in assumptions: There were no changes in assumptions

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2015
LAST 10 YEARS***

	Fiscal Year 2015	Fiscal Year 2014
Actuarially Determined Contributions	\$ 947,246	\$ 917,689
Contributions in Relation to the Actuarially Determined Contributions	(947,246)	(917,689)
Contribution Deficiency (Excess)	\$ -	\$ -
Covered-Employee Payroll**	\$ 13,613,535	\$ 13,553,073
Contributions as a Percentage of Covered- Employee Payroll	6.96%	6.77%

Notes to Schedule:

* Fiscal year 2016 was the 2nd year of implementation; therefore, the current year and comparative prior data is shown.

** Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. Payroll from prior year \$13,553,073 was assumed to increase by the 3.00 percent payroll growth assumption.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015 were from the June 30, 2012 valuation.

Valuation date: June 30, 2012

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent of payroll
Average remaining amortization period	22 years as of valuation date
Asset valuation method	15 year smoothed market
Inflation	2.75%
Projected salary increases	3.30% to 14.20% depending on age, service, and type of employment.
Payroll growth	3.00%
Investment rate of return	7.50% (net of administrative expenses)
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a)/c]
7/1/2011	\$ 790,158	\$ 7,322,135	\$ 6,531,977	10.79%	\$ 13,510,453	48.35%
7/1/2013	1,165,830	5,875,942	4,710,112	19.84%	12,017,071	39.20%
7/1/2015	2,032,180	8,785,647	6,753,467	23.13%	13,209,132	51.13%

SUPPLEMENTARY SCHEDULE AND OTHER REPORTS

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Direct Programs:		
Federal Transit Administration (FTA)		
Capital and Operating Assistance Grants	20.507	
Grant CA-04-0250-00 - Capital and Operating		\$ 118,522
Grant CA-90-Y985-00 - Capital and Operating		788,883
Grant CA-90-Z065-00 - Capital and Operating		159,113
Grant CA-95-X304-00 - Capital and Operating		94,589
Grant CA-90-Z212-00 - Capital and Operating		13,071,014
Grant CA-57-X113-00 - Capital and Operating		52,224
Grant CA-58-0018-00 - Capital and Operating		57,982
Grant CA-2016-020-00 - Capital and Operating		938,735
Grant CA-90-Z279-00 - Capital and Operating		<u>290,603</u>
 Total FTA Capital and Operating Assistance Grants		 <u>15,571,665</u>
 Total FTA Grants		 <u><u>\$ 15,571,665</u></u>

See accompanying notes to schedule of expenditures of federal awards.

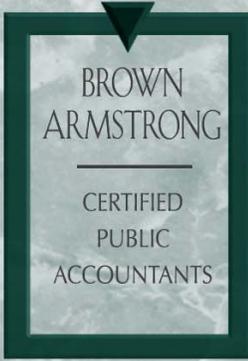
**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal financial assistance programs of the Central Contra Costa Transit Authority. Federal financial assistance is received directly from the Federal Transit Administration (FTA) and is included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA has been prepared on the accrual basis of accounting. Federal capital grant funds are used to purchase property, plant, and equipment. Federal grants receivable are included in capital and operating grants receivable, which also includes receivables from state and local grant sources.



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS; THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT; AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION

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To the Board of Directors
Central Contra Costa Transit Authority
Concord, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the statutes, rules, and regulations of the California Transportation Development Act; and the allocation instructions and resolutions of the Transportation Commission, the financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests of the Authority's compliance with certain provisions of the Transportation Development Act (TDA) and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by Section 6667 of Title 21, Chapter 3, Subchapter 2, Article 5.5 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. 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 that are required to be reported under *Government Auditing Standards* and the TDA.

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

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacements.

During the fiscal year ended June 30, 2016, the Authority applied for and received proceeds of \$615,578, and interest of \$34,794 from the State's PTMISEA account for the Martinez shuttle and electric trolleys. As of June 30, 2016, there were \$3,316,285 of expenses for construction for rolling stock replacement, facility rehab, lifeline bus stop, and the Martinez shuttle. As of June 30, 2016, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance – beginning of the year	\$ 9,815,818
Proceeds received:	
PTMISEA	615,578
Interest earned	34,794
Expenses incurred:	
Rolling stock replacement, facility rehab, lifeline bus stop, and the Martinez Shuttle	<u>(3,316,285)</u>
Unexpended proceeds, June 30, 2016	<u>\$7,149,905</u>

Purpose of this Report

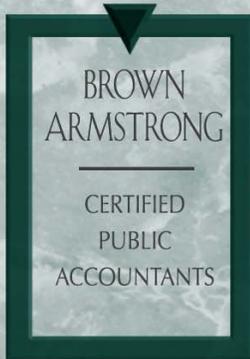
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed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

This report is intended for the information of local; state, including the State Controller's office; Metropolitan Transportation Commission; the U.S. Department of Transportation; and the Authority's Board of Directors and management. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 15, 2016



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Central Contra Costa Transit Authority
Concord, California

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Report on Compliance for Each Major Federal Program

We have audited the Central Contra Costa Transit Authority’s (the Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2016. The Authority’s major federal programs are identified in the summary of auditor’s result section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 15, 2016

FINDINGS AND QUESTIONED COSTS SECTION

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

Section I – Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Deficiencies and significant deficiencies identified not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

B. Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Deficiencies and significant deficiencies identified not considered to be material weaknesses? No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance No

C. Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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CFDA Number 20.507	FTA Capital and Operating Assistance Grants
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Audit Findings and Questioned Costs

None.

Section III – Federal Awards Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit (June 30, 2015) Findings and Current Year Status

None.