The County Connection
2477 Arnold Industrial Way Concord, CA 94520-5326 (925) 676-7500 www.cccta.org

BOARD OF DIRECTORS
MEETING AGENDA

Thursday, February 21, 2013
9:00 a.m.

CCCTA Paratransit Facility
Gayle B. Uilkema Memorial Board Room
2477 Arnold Industrial Way
Concord, California

The CCCTA Board of Directors may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

1. Call to Order/Pledge of Allegiance

2. Roll Call/Confirm Quorum

3. Public Communication

4. Consent Calendar

   a. Approval of Minutes of Regular Meeting of January 17, 2013*

   b. Approval of Small Claims Representation for 2013*
   Resolutions No. 2013-014A, 2013-014B and 2013-014C*

5. Report of Chair

6. Report of General Manager

   a. Recognition of Departing Employee

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*Enclosure

7. Report of Standing Committees

   a. Administration & Finance Committee
      (Committee Chair: Director Dessayer)

      (1) FY2012 Audit*
          (The A&F Committee recommends that the Board approve the FY2012 audit as submitted.)

   b. Marketing, Planning & Legislative Committee
      (Committee Chair: Director Schroder)

      (1) Draft 2013 Federal Legislative Program and State Program*
          (The MP&L Committee recommends that the Board review, comment and approve the draft 2013 Federal and State Legislative Programs.)

      (2) State Legislation--AB160 (Alejo)*
          (Staff will review the status of this legislation with the Board. No action is recommended at this time.)

8. Board Communication

   Under this item, Directors are limited to providing information, asking clarifying questions about matters not on the agenda, responding to public comment, referring matters to committee or staff for information, or requesting a report (on any matter) be made at another meeting.

9. Closed Session

   a. Conference with Labor Negotiator
      Pursuant to Government Code Section 54957.6
      Employee Organizations:
      - Amalgamated Transit Union, Local 1605, AFL-CIO, Bus Operators
      - Teamsters Union, Local 856, AFL-CIO, Transit Supervisors

10. Open Session

    a. Report of Action(s) Taken During the Closed Session

11. Adjournment

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*Enclosure

General Information

Public Comment: Each person wishing to address the CCCTA Board of Directors is requested to complete a Speakers Card for submittal to the Clerk of the Board before the meeting convenes or the applicable agenda item is discussed. Persons who address the Board are also asked to furnish a copy of any written statement to the Clerk.
Persons who wish to speak on matters set for Public Hearings will be heard when the Chair calls for comments from the public. After individuals have spoken, the Public Hearing is closed and the matter is subject to discussion and action by the Board.
A period of thirty (30) minutes has been allocated for public comments concerning items of interest within the subject matter jurisdiction of the Board. Each individual will be allotted three minutes, which may be extended at the discretion of the Board Chair.

Consent Items: All matters listed under the Consent Calendar are considered by the Board to be routine and will be enacted by one motion. There will be no separate discussion of these items unless requested by a Board Member or a member of the public prior to when the Board votes on the motion to adopt.

Availability of Public Records: All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body, will be available for public inspection at 2477 Arnold Industrial Way, Concord, California, at the same time that the public records are distributed or made available to the legislative body. The agenda and enclosures for this meeting are posted also on our website at www.CCCTA.org.

Accessible Public Meetings: Upon request, CCCTA will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service so that it is received by CCCTA at least 48 hours before the meeting convenes. Requests should be sent to the Board Clerk, Janet Madrigal, at 2477 Arnold Industrial Way, Concord, CA 94520 or madrigal@cccta.org.

Shuttle Service: With 24-hour notice, a CCCTA LINK shuttle can be available at the North Concord BART station for individuals who want to attend the Board meetings. To arrange for the shuttle service, please call Robert Greenwood – 925/680 2072, no later than 24 hours prior to the start of the meeting.

Currently Scheduled Board and Committee Meetings

Board of Directors:	Thursday, March 21, 9:00 a.m., CCCTA Board Room
Administration & Finance:	Wednesday, March 6, 9:00 a.m. 1676 N. California Blvd., Suite 620, Walnut Creek
Advisory Committee:	Friday, March 8, 9:30 a.m., CCCTA Board Room
Marketing, Planning & Legislative:	Thursday, March 7, 9:00 a.m., 1676 N. California Blvd., Suite 620, Walnut Creek
Operations & Scheduling:	Friday, March 1, 9:00 a.m., Walnut Creek City Offices

The above meeting schedules are subject to change. Please check the CCCTA Website (www.CCCTA.org) or contact CCCTA staff at 925/676-1976 to verify date, time and location prior to attending a meeting.

This agenda is posted on CCCTA's Website (www.CCCTA.org) and at the CCCTA Administrative Offices, 2477 Arnold Industrial Way, Concord, California

Agenda Item No. 4.a.

CCCTA BOARD OF DIRECTORS

MINUTES OF THE REGULAR MEETING
January 17, 2013

CALL TO ORDER/ROLL CALL/CONFIRM QUORUM

Chair Horn called the regular meeting of the Board of Directors to order at 9:00 a.m. Board Members present were Directors Andersen, Dessayer, Hudson, Manning, Schroder, Simmons, Storer and Weir. Director Worth arrived after the meeting convened. Director Hoffmeister was absent.

Staff: Ramacier, Chun, Glenn, Barnes, Burdick, Casenave, Churchill, Madrigal and Muzzini

Guest: Chris Weeks (Bishop Ranch/Sunset Development)

PUBLIC COMMUNICATION

There was no communication from the public relative to items not on the agenda.

CONSENT CALENDAR

MOTION: Director Andersen moved approval of the Consent Calendar, consisting of the following item: (a) Approval of Minutes of Regular Meeting of December 20, 2012. Director Weir seconded the motion and it received the following vote of approval.

Aye:	Directors Andersen, Dessayer, Horn, Hudson, Manning, Schroder, Simmons, Storer and Weir
No:	None
Abstain:	None
Absent:	Directors Hoffmeister and Worth

REPORT OF CHAIR

Chair Horn reported on announcements he made to local community groups regarding the CCCTA bus procurement program.

REPORT OF GENERAL MANAGER

APTA 2013 Legislative Conference

General Manager Rick Ramacier stated that there are funds in the CCCTA budget for two Board Members to attend the APTA 2013 Legislative Conference. He asked Board Members to let staff know if they are interested in attending. He anticipates discussions at the Conference will focus on what transit operators would like included in the next transportation bill. One potential topic will be the need for small suburban operators to begin to coalesce on a national suburban bus agenda. Currently, the focus is on the urban side and rail, which shifted funding from buses to rail in the current transportation bill. Most of the federal funds received by CCCTA come from the bus formula fund which was not affected by this shift, but bus discretionary funds were reprogramed for rail. The Conference will be an opportunity to let our legislative representatives know that there are specific needs in different parts of the Bay Area and there are particular needs for bus transit in Contra Costa County.

(Director Worth arrived.)

REPORT OF STANDING COMMITTEES

Marketing, Planning and Legislative Committee

<u>State and Federal Legislative Update</u>

Mr. Ramacier advised that the Governor released his initial budget that does not include any direct cuts for transit. This budget assumes a lower amount of STA funds because the price of diesel fuel has not risen to the level the state projected in last year's budget. MTC staff used lower STA projections than the state, and the amount of STA funds CCCTA receives is consistent with the MTC projections and the Governor's initial budget. Thus, CCCTA will not lose STA funds.

Mr. Ramacier also discussed the California Public Employee Pension Reform Act of 2012 (PEPRA) and the decision made by two international unions representing transit employees that PEPRA violates the U.S. Department of Labor (DOL) Section 13(c) program which provides transit employees certain protections relative to working conditions, wages and the right to negotiate. The DOL received a number of Section 13(c) program objections on federal transit grants in California. CCCTA will not need to draw down federal grants until later this year. Funds for the ten-bus procurement are in hand and are not subject to this action. CCCTA receives federal ADA paratransit operating assistance each year after the fiscal year is closed. Staff has taken steps to navigate cash flow if this issue is not resolved by that time. The Governor has stated that he does not believe PEPRA interferes with the Section 13(c) program.

<u>Bishop Ranch Bus Wrap Review</u>

Director Schroder stated that the MP&L Committee reviewed some alternatives to the proposed design for the buses used for the Bishop Ranch service. Changes included incorporating the CCCTA mountain logo on the front and sides of the bus. The MP&L Committee recommends approval of the revised design. As new bus fleets are purchased, the MP&L Committee will consider the possibility of updating CCCTA's branding, logos and colors.

Director Andersen stated that she liked having the CCCTA and Bishop Ranch logos on the bus and expediting the design changes. Director Worth expressed appreciation for working expeditiously together on the design concept as well as the process of recognizing CCCTA's priorities in terms of its identity and supporting Bishop Ranch in that partnership. Director Weir also expressed appreciation for a job well done.

MOTION: Director Andersen moved approval of the latest design from Bishop Ranch and its implementation by wrapping two buses at the expense of Bishop Ranch. Director Schroder seconded the motion and it received the following vote of approval.

Aye:	Directors Andersen, Dessayer, Horn, Hudson, Manning, Schroder, Simmons, Storer, Weir and Worth
No:	None
Abstain:	None
Absent:	Director Hoffmeister

BOARD COMMUNICATION

Director Schroder reported that the Martinez City Council received a request from a resident urging them to look at the bus stops and shelters. City of Martinez staff will review these locations within the city limits and contact CCCTA staff regarding any changes.

CLOSED SESSION

Consultation with Labor Negotiator Pursuant to Government Code Section 54957.6
Employee Organizations: Amalgamated Transit Union, Local 1605, AFL-CIO, Bus Operators, and Teamsters Union, Local 856, AFL-CIO, Transit Supervisors

At 9:25 a.m. Chair Horn announced the Board would adjourn to closed session to consult with its Labor Negotiator, Pat Glenn, Esq., pursuant to Government Code Section 54957.6, regarding negotiations with the Amalgamated Transit Union, Local 1605, AFL-CIO, Bus Operators, and Teamsters Union, Local 856, AFL-CIO, Transit Supervisors.

REPORT OF ACTION(s) TAKEN DURING THE CLOSED SESSION

The Board reconvened in open session at 9:38 a.m. Chair Horn announced the Board met in closed session with its Labor Negotiator, pursuant to Government Code Section 54957.6, regarding negotiations with the two employee organizations. Direction was given to the labor negotiating team.

ADJOURNMENT: Chair Horn adjourned the regular Board meeting at 9:40 a.m.

Minutes prepared by

______________________________ ______________________________

Janet Madrigal, Clerk to the Board Date

The County Connection

Inter Office Memo

Agenda Item No. 4.b.

To: Board of Directors **Date**: February 7, 2013

From: Rick Ramacier, General Manager

SUBJECT: Small Claims Representation

Background: For several years, we have authorized York Insurance Service Group, Inc. (formerly Bragg & Associates) to represent CCCTA in three Small Claims Courts within Contra Costa County (Mt. Diablo Judicial District, Walnut Creek-Danville Judicial District and Delta Judicial District). The Courts require that the Board of Directors pass a new resolution each year to allow this representation to continue.

Recommendation: The Administration and Finance Committee recommends that we authorize York Insurance Service Group, Inc. to continue to represent CCCTA in small claims actions

Action Requested: Recommend the Board of Directors adopt Resolutions No. 2013-014A, 2013-014B and 2013-014C which appoint York Insurance Service Group, Inc. to represent CCCTA in small claims actions in the year 2013.

SPECIAL NOTE: Taking this action in no way precludes County Connection from taking further action to hire a different Claims Adjuster (including one that would represent us in Small Claims Court), at any time during the course of the year.

RESOLUTION-SMALL CLAIMS

Appointing a Representative
Resolution No. 2013-014A

It Appearing to the Board of Directors of the Central Contra Costa Transit Authority (hereinafter "Agency"), a joint exercise of powers agency formed pursuant to California Government Code Sections 6500, *et seq.*, and a public entity in the State of California, that it is desirable and necessary to appoint an Agent for this Agency to act for and in its behalf in the Small Claims Court of Walnut Creek-Danville Judicial District, County of Contra Costa, State of California.

And It Further Appearing that representatives of York Insurance Service Group, Inc. are suitable individuals for such appointment.

Now, Therefore, Be It Resolved that representatives of York Insurance Service Group, Inc. be and are hereby appointed to represent and appear for said Agency in the lawful process of any and all claims filed in said court, and is further authorized and empowered to accept service of process issued by said court, for and on behalf of said Agency, for a period of twelve months effective on January 1, 2013 and expiring on December 31, 2013.

I certify that the foregoing Resolution was adopted by the Board of Directors of said Agency, at a regular meeting of said Board, held on February 21, 2013.

____
Janet Madrigal, Clerk of the Board of Directors

The name and business address of said Agency is:

Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Address of Agent)

____

RESOLUTION-SMALL CLAIMS

Appointing a Representative
Resolution No. 2013-014B

It Appearing to the Board of Directors of the Central Contra Costa Transit Authority (hereinafter "Agency"), a joint exercise of powers agency formed pursuant to California Government Code Sections 6500, *et seq.*, and a public entity in the State of California, that it is desirable and necessary to appoint an Agent for this Agency to act for and in its behalf in the Small Claims Court of Mt. Diablo Judicial District, County of Contra Costa, State of California.

And It Further Appearing that representatives of York Insurance Service Group, Inc. are suitable individuals for such appointment.

Now, Therefore, Be It Resolved that representatives of York Insurance Service Group, Inc. be and are hereby appointed to represent and appear for said Agency in the lawful process of any and all claims filed in said court, and is further authorized and empowered to accept service of process issued by said court, for and on behalf of said Agency, for a period of twelve months effective on January 1, 2013 and expiring on December 31, 2013.

I certify that the foregoing Resolution was adopted by the Board of Directors of said Agency, at a regular meeting of said Board, held on February 21, 2013.

____
Janet Madrigal, Clerk of the Board of Directors

The name and business address of said Agency is:

Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Signature of Agent so appointed)

____
(Address of Agent)

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RESOLUTION-SMALL CLAIMS

Appointing a Representative
Resolution No. 2013-014C

It Appearing to the Board of Directors of the Central Contra Costa Transit Authority (hereinafter "Agency"), a joint exercise of powers agency formed pursuant to California Government Code Sections 6500, *et seq*., and a public entity in the State of California, that it is desirable and necessary to appoint an Agent for this Agency to act for and in its behalf in the Small Claims Court of Delta Judicial District, County of Contra Costa, State of California.

And It Further Appearing that representatives of York Insurance Service Group, Inc. are suitable individuals for such appointment.

Now, Therefore, Be It Resolved that representatives of York Insurance Service Group, Inc. be and are hereby appointed to represent and appear for said Agency in the lawful process of any and all claims filed in said court, and is further authorized and empowered to accept service of process issued by said court, for and on behalf of said Agency, for a period of twelve months effective on January 1, 2013 and expiring on December 31, 2013.

I certify that the foregoing Resolution was adopted by the Board of Directors of said Agency, at a regular meeting of said Board, held on February 21, 2013.

____
Janet Madrigal, Clerk of the Board of Directors

The name and business address of said Agency is:

Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

____
(Signature of Agent so appointed)

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(Signature of Agent so appointed)

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(Signature of Agent so appointed)

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(Signature of Agent so appointed)

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(Address of Agent)

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The County Connection

Inter Office Memo

To: Board of Directors | Date: February 7, 2013

From: Kathy Casenave, Director of Finance | Reviewed by:

SUBJECT: FY 2012 Audit

Summary of Issues:

The audit for FY 2012 has been completed and enclosed for your review. The letter on Page 1 expresses an unqualified opinion.

The Statement of Net Assets (Balance Sheet) of the audit report is on Page 6. Some differences between June 30, 2012 and June 30, 2011:

- Capital Assets (Net) decreased by $819,499 mainly because depreciation. More detail is included in Note 5 on Page 17.
- Current Assets increased by $2.3 million and Current Liabilities also increased by that much. The increase in both categories is due to the receipt of state bond money for approved capital projects that will be started in the next fiscal year.

Other information:

Page 28-30- Letters from the auditor regarding testing for compliance with TDA laws and internal control based on standards contained in Government Auditing Standards issued by the Comptroller General of the United States. The results of the tests disclosed no instances of noncompliance or material weaknesses.

Page 31-35- Letter from the auditor on compliance with requirements of the Office of Management and Budget (OMB) Circular A-133. There is one current year finding that a federal payment to a vendor was not issued within the allowable time of three (3) business days between drawdown and disbursement.

Other Letters:

- Letter of agreed upon findings that are designed to increase internal controls and efficiency. The auditors made one recommendations and management has concurred.
- Letter to the audit committee noting that all significant transactions have been recognized in the financial statements in the proper period.

Recommendation:

The A&F committee recommends that the Board of Directors approve the audit as submitted.

Options:

1) Approve recommendation
2) Decline recommendation
3) Other

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2012 AND 2011

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
JUNE 30, 2012 AND 2011

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Authority's post-employment benefits other than pension benefits, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during out audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 8, 2013

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. A Board of Directors 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 of Directors (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 131 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 Statements of Net Assets, (2) the Statements of Revenues, Expenses, and Changes in Net Assets, and (3) the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Statements of Cash Flows

The Statements of Cash Flows are presented using the direct method and include a reconciliation of operating cash flows to operating income. The Statements of Cash Flows basically provide 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 expenditures to the beginning and ending cash on hand.

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

Financial Highlights

- Operating revenues were $4,990,481, while operating expenses were $35,029,344. The Authority is able to cover its operating expenses through operating revenue and federal, state, and local grants.

Statement of Net Assets

A comparison of the Authority's Statements of Net Assets as of June 30, 2012, 2011, and 2010 is as follows:

				2012 to 2011 Increase/Decrease		2011 to 2010 Increase/Decrease	
	2012	2011	2010	Amount	%	Amount	%
Current assets	$ 13,102,958	$ 10,781,966	$ 9,631,753	$ 2,320,992	21.53%	$ 1,150,213	11.94%
Noncurrent assets - capital assets, net	34,284,379	35,103,878	37,514,698	(819,499)	-2.33%	(2,410,820)	-6.43%
Total assets	$ 47,387,337	$ 45,885,844	$ 47,146,451	$ 1,501,493	3.27%	$ (1,260,607)	-2.67%
Current liabilities	$ 10,482,988	$ 8,207,645	$ 7,146,074	$ 2,275,343	27.72%	$ 1,061,571	14.86%
Noncurrent liabilities	1,108,922	1,083,555	1,199,722	25,367	2.34%	(116,167)	-9.68%
Total liabilities	$ 11,591,910	$ 9,291,200	$ 8,345,796	$ 2,300,710	24.76%	$ 945,404	11.33%
Net assets							
Invested in capital assets, net of related debt	$ 34,284,379	$ 35,103,878	$ 37,514,698	$ (819,499)	-2.33%	$ (2,410,820)	-6.43%
Unrestricted net assets	1,511,048	1,490,766	1,285,957	20,282	1.36%	204,809	15.93%
Total net assets	$ 35,795,427	$ 36,594,644	$ 38,800,655	$ (799,217)	-2.18%	$ (2,206,011)	-5.69%

The Authority's decrease in net assets was mainly due to the increase in accumulated depreciation.

Statement of Revenues, Expenses, and Changes in Net Assets

A summary of the Authority's Statements of Revenues, Expenses, and Changes in Net Assets for fiscal years 2012, 2011, and 2010 is as follows:

				2012 to 2011 Increase/Decrease		2011 to 2010 Increase/Decrease	
	2012	2011	2010	Amount	%	Amount	%
Operating revenues	$ 4,990,481	$ 4,717,192	$ 4,755,809	$ 273,289	5.79%	$ (38,617)	-0.81%
Operating expenses	(35,029,344)	(34,011,443)	(33,169,910)	(1,017,901)	2.99%	(841,533)	2.54%
Operating loss	(30,038,863)	(29,294,251)	(28,414,101)	(744,612)	2.54%	(880,150)	3.10%
Nonoperating revenues	24,885,078	24,707,300	24,781,511	177,778	0.72%	(74,211)	-0.30%
Capital contributions	4,354,568	2,380,940	18,721,651	1,973,628	82.89%	(16,340,711)	-87.28%
Increase (decrease) in net assets	$ (799,217)	$ (2,206,011)	$ 15,089,061	$ 1,406,794	-63.77%	$ (17,295,072)	-114.62%

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Assets is state and local operating assistance (68% in 2012, 68% in 2011). Most of this revenue is provided under the Transportation Development Act (TDA), which returns to Contra Costa County (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. Fifty-four percent (54%) of the Authority's operating expenses is for wages and benefits paid to employees. The next largest category of expense is purchased transportation – the cost of providing public transportation through an independent private contractor.

Selected revenue increases, change from prior year:

	2012	2011	2010	2012 to 2011 Increase/ Decrease	2011 to 2010 Increase/ Decrease
Passenger revenue	$ 4,040,761	$ 3,888,089	$ 3,885,782	$ 152,672	$ 2,307
Special transit fares	949,720	829,103	870,027	120,617	(40,924)
Federal operating assistance	3,939,169	4,003,292	4,919,543	(64,123)	(916,251)
State and local operating assistance	20,280,117	20,060,073	19,167,173	220,044	892,900

Capital Assets

As of the end of fiscal year 2012, the Authority's capital assets, before accumulated depreciation, decreased by $1,297,258. The disposal of some old revenue vehicles accounted for the decrease.

Details of the capital assets, net of accumulated depreciation as of June 30, 2012, 2011, and 2010 are as follows:

				2012 to 2011 Increase/(Decrease)		2011 to 2010 Increase/(Decrease)	
	2012	2011	2010	Amount	%	Amount	%
Land and land improvements	$ 4,792,211	$ 4,792,211	$ 4,787,602	$ -	0.00%	$ 4,609	0.10%
Construction in process	306,661	247,748	1,619,465	58,913	23.78%	(1,371,717)	-84.70%
Shop, office, other equipment and service vehicles	6,263,056	6,222,023	6,121,883	41,033	0.66%	100,140	1.64%
Buildings and structures	15,599,189	15,429,788	12,365,099	169,401	1.10%	3,064,689	24.78%
Revenue vehicles	50,587,343	52,150,119	51,849,967	(1,562,776)	-3.00%	300,152	0.58%
Total	77,548,460	78,841,889	76,744,016	(1,293,429)	-1.64%	2,097,873	2.73%
Less accumulated depreciation	(43,264,081)	(43,738,011)	(39,229,318)	473,930	-1.08%	(4,508,693)	11.49%
Net total	$ 34,284,379	$ 35,103,878	$ 37,514,698	$ (819,499)	-2.33%	$ (2,410,820)	-6.43%

Overall Financial Condition

Due to a decrease in sales tax revenue, the state budget problems, and an increase in the cost of diesel fuel, the Authority implemented a reduction in service in the latter half of fiscal year 2009 that continued during the year and a fare increase. The Authority does not anticipate a need for either a service reduction or fare increase in fiscal year 2013.

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 Central Contra Costa Transit Authority's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Katherine Casenave, Director of Finance, at 2477 Arnold Industrial Way, Concord, California 94520.

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

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 9,306,487	$ 6,958,448
Capital and operating grants receivable	2,363,299	2,201,379
Materials and supplies	732,715	780,252
Other receivables, net of allowance ($16,960) and ($18,035)	690,132	659,749
Prepaid expenses and other assets	10,325	182,138
Total Current Assets	13,102,958	10,781,966
Capital assets, net (Note 5)	34,284,379	35,103,878
TOTAL ASSETS	$ 47,387,337	$ 45,885,844
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 1,424,325	$ 818,857
Due to other government, TDA payable (Note 12)	3,324,155	3,786,929
Deferred revenue grants	234,425	234,131
Deferred revenue PTMISEA (Note 6)	3,678,735	1,463,445
Other accrued liabilities	1,821,348	1,904,283
Total Current Liabilities	10,482,988	8,207,645
Long-Term Liabilities		
Self-insurance liabilities (Note 8)	1,105,713	1,071,592
Other post-employment benefits liability (Note 11)	3,209	11,963
Total Long-Term Liabilities	1,108,922	1,083,555
TOTAL LIABILITIES	11,591,910	9,291,200
Net Assets		
Invested in capital assets, net of related debt	34,284,379	35,103,878
Unrestricted	1,511,048	1,490,766
TOTAL NET ASSETS	35,795,427	36,594,644
TOTAL LIABILITIES AND NET ASSETS	$ 47,387,337	$ 45,885,844

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

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Operating Revenues		
Passenger fares	$ 4,040,761	$ 3,888,089
Special transit fares	949,720	829,103
Total Operating Revenues	4,990,481	4,717,192
Operating Expenses		
Salaries and benefits	18,832,831	18,615,051
Materials and supplies	3,206,531	2,973,978
Services	1,573,363	1,565,977
Purchased transportation	5,191,808	5,048,351
Insurance	415,417	385,278
Other	113,187	135,674
Utilities	233,889	246,466
Taxes	293,854	306,897
Leases and rentals	35,977	37,396
Depreciation	5,132,487	4,696,375
Total Operating Expenses	35,029,344	34,011,443
Operating Loss	(30,038,863)	(29,294,251)
Nonoperating Revenues (Expenses)		
Federal operating assistance	3,939,169	4,003,292
State and local operating assistance	20,280,117	20,060,073
Advertising revenue	537,546	504,952
Interest income	14,988	24,360
Other revenue	100,627	122,309
Interest expense	-	(456)
Gain on sale of capital assets	12,631	(7,230)
Total Nonoperating Revenues	24,885,078	24,707,300
Net Loss Before Capital Contributions	(5,153,785)	(4,586,951)
Capital Contributions		
Grants restricted for capital expenditures (Note 3)	4,354,568	2,380,940
Decrease in Net Assets	(799,217)	(2,206,011)
Total Net Assets, Beginning of Year	36,594,644	38,800,655
Total Net Assets, End of Year	$ 35,795,427	$ 36,594,644

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

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 4,960,098	$ 4,777,047
Payments to employees (salaries and benefits)	(18,890,399)	(18,742,519)
Payments to suppliers	(10,239,208)	(10,989,365)
Net Cash Used by Operating Activities	(24,169,509)	(24,954,837)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	3,939,169	4,003,292
State and local operating grants	19,817,343	21,810,890
Other noncapital revenue	672,099	627,261
Net Cash Provided by Noncapital Financing Activities	24,428,611	26,441,443
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest expense	-	(456)
Capital grants received	6,428,517	1,789,903
Expenditures for capital asset purchases	(4,354,568)	(2,380,940)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	2,073,949	(591,493)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	14,988	24,360
Net Increase in Cash and Cash Equivalents	2,348,039	919,473
Cash and Cash Equivalents, Beginning of Year	6,958,448	6,038,975
Cash and Cash Equivalents, End of Year	$ 9,306,487	$ 6,958,448

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

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Operating Loss	$ (30,038,863)	$ (29,294,251)
Adjustments to Reconcile Operating Loss to		
Net Cash Used by Operating Activities:		
Depreciation	5,132,487	4,696,375
Changes in assets and liabilities:		
(Increase) Decrease in receivables	(30,383)	59,855
Decrease (Increase) in materials and supplies	47,537	(24,247)
Decrease (Increase) in prepaid expenses	171,813	(13,607)
Increase (Decrease) in accounts payable	605,468	(65,342)
(Decrease) in other liabilities	(57,568)	(313,620)
Net Cash Used by Operating Activities	$ (24,169,509)	$ (24,954,837)

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

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 Authority is governed by a Board of Directors 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 of Directors 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 now includes capital grants in the determination of net income resulting in an increase in net revenue of $4,354,568 and $2,380,940 for the fiscal years ended June 30, 2012 and 2011, respectively.

Contributed capital and reserved retained earnings are presented in the net asset section as invested in capital assets, net of related debt and unrestricted net assets.

Net Assets

Net assets represent the residual interest in the Authority's assets after liabilities are deducted. Net assets are presented in three broad components: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt include capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets are restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net assets are 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting and Presentation (Continued)

Proprietary Accounting and Financial Reporting

As required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The Authority also applies all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

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

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 Statements 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, 2012, 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 assets – invested in capital assets, net of related debt after being charged to operations.

NOTE 1 – **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. Capital Assets (Continued)

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 Revenue

The Authority reports deferred revenue in its financial statements. Deferred revenues arise when resources are recovered by the Authority before it has legal claim to them.

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 and claims in excess of $1,000,000 are insured with excess insurance purchased through California Transit Systems Joint Powers Insurance Authority (CalTIP) up to $20 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 complying 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 expenditure is incurred. Grants received in excess of allowable expenditures are recorded as deferred revenue (refer to Notes 6 and 12).

I. Pension Costs

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 Transportation Development Act (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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Funding Sources/Programs (Continued)

State Transit Assistance (STA)

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

Federal Transportation Assistance

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

Bay Area Air Quality Management District (AB434 funds)

This is a federal grant program, passed through the California Department of Transportation, to reduce highway congestion and improve air quality. The program provides for matching requirements of 88.53% federal funding and 11.47% state funding.

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 of Contra Costa.

L. Date of Management's Review

Subsequent events were evaluated through February 8, 2013, which is the date the financial statements were available to be issued.

M. 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:

	2012	2011
Cash on hand	$ 530	$ 530
Cash in banks	1,753,050	707,409
Investments	7,552,907	6,250,509
	$ 9,306,487	$ 6,958,448

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Negotiable Certificates of Deposit*	5 years	30%	None
County Pooled Investment Funds	N/A	100%	None
Local Agency Investment Fund (LAIF)	N/A	None	None

* 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.

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.

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:

2012

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	$ 7,552,907	$ 7,552,907	$ -	$ -	$ -

2011

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	$ 6,250,509	$ 6,250,509	$ -	$ -	$ -

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Cash on Hand and Cash in Banks (Continued)

Disclosures Relating to Credit Risk

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:

2012 Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End AAA	 Aa	 Not Rated
LAIF	$ 7,552,907	N/A	$ -	$ -	$ -	$ 7,552,907

2011 Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End AAA	 Aa	 Not Rated
LAIF	$ 6,250,509	N/A	$ -	$ -	$ -	$ 6,250,509

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: $2,043,124 and $1,465,632 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, 2012 and 2011, respectively.

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, 2012 or 2011.

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 years ended June 30 is as follows:

	2012	2011
Federal grants	$ 3,214,729	$ 1,047,711
State grants	760,495	745,306
TDA (local transportation grants)	379,344	587,923
Total Capital Assistance	$ 4,354,568	$ 2,380,940

NOTE 4 – OPERATING GRANTS

The Authority receives local transportation fund allocations pursuant to the 1971 State TDA. These funds are generated within the County of Contra Costa 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 years ended June 30, 2012 and 2011, was $5,354 and $6,942, respectively. For the years ended June 30, 2012 and 2011, the Authority's maximum TDA assistance eligibility was $11,505,362 and $9,994,707, respectively.

During the fiscal years ended June 30, 2012 and 2011, the Authority earned $4,395,988 and $4,174,485, respectively, of Measure J (2012) and Measure J (2011) 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 new routes and supplemental service for existing routes that serve local San Francisco Bay Area Rapid Transit District stations.

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. Expenditures 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:

June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital Assets Not Being Depreciated:				
Construction in process	$ 247,748	$ 58,913	$ -	$ 306,661
Land	2,704,785	-	-	2,704,785
Total Capital Assets Not Being Depreciated	2,952,533	58,913	-	3,011,446
Capital Assets Being Depreciated:				
Land improvements	2,087,426	-	-	2,087,426
Shop, office, other equipment, and service vehicles	6,222,023	450,013	408,980	6,263,056
Buildings and structures	15,429,788	202,270	32,869	15,599,189
Revenue vehicles	52,150,119	3,623,094	5,185,870	50,587,343
Total Capital Assets Being Depreciated	75,889,356	4,275,377	5,627,719	74,537,014
Less Accumulated Depreciation for:				
Land improvements	2,083,597	426	-	2,084,023
Shop, office, other equipment, and service vehicles	5,152,858	279,943	387,678	5,045,123
Buildings and structures	9,348,758	615,411	32,869	9,931,300
Revenue vehicles	27,152,798	4,236,707	5,185,870	26,203,635
Total Accumulated Depreciation	43,738,011	5,132,487	5,606,417	43,264,081
Total Capital Assets Being Depreciated, Net	32,151,345	(857,110)	21,302	31,272,933
Total Capital Assets, Net	$ 35,103,878	$ (798,197)	$ 21,302	$ 34,284,379

Depreciation expense for the year ended June 30, 2012, was $5,132,487.

June 30, 2011

	Balance June 30, 2010	Reclass and Other Adjustments	Additions	Deletions	Balance June 30, 2011
Capital Assets Not Being Depreciated:					
Construction in process	$ 1,619,465	$ (1,390,254)	$ 18,537	$ -	$ 247,748
Land	2,704,785	-	-	-	2,704,785
Total Capital Assets Not Being Depreciated	4,324,250	(1,390,254)	18,537	-	2,952,533
Capital Assets Being Depreciated:					
Land improvements	2,082,817	4,609	-	-	2,087,426
Shop, office, other equipment, and service vehicles	6,121,883	(4,609)	304,044	199,295	6,222,023
Buildings and structures	12,365,099	1,390,254	1,674,435	-	15,429,788
Revenue vehicles	51,849,967	-	300,152	-	52,150,119
Total Capital Assets Being Depreciated	72,419,766	1,390,254	2,278,631	199,295	75,889,356
Less Accumulated Depreciation for:					
Land improvements	2,078,562	4,609	426	-	2,083,597
Shop, office, other equipment, and service vehicles	4,996,569	(4,609)	348,580	187,682	5,152,858
Buildings and structures	8,775,361	-	573,397	-	9,348,758
Revenue vehicles	23,378,826	-	3,773,972	-	27,152,798
Total Accumulated Depreciation	39,229,318	-	4,696,375	187,682	43,738,011
Total Capital Assets Being Depreciated, Net	33,190,448	1,390,254	(2,417,744)	11,613	32,151,345
Total Capital Assets, Net	$ 37,514,698	$ -	$ (2,399,207)	$ 11,613	$ 35,103,878

Depreciation expense for the year ended June 30, 2011, was $4,696,375.

NOTE 6 – DEFERRED REVENUE (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. 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 replacement.

During the fiscal year ended June 30, 2012, the Authority received funds of $2,561,941 for the purchase of 40 buses and interest of $7,422 from the State's PTMISEA account for construction at a transportation center at Pacheco, Rolling Stock 40 buses purchase, and the Martinez bus stop project. As of June 30, 2012, there were $354,073 of expenditures incurred related to the Pacheco Transit Center and Rolling Stock Vans. The remaining proceeds of $3,678,735, which includes accrued interest, was deferred as shown in the schedule below. Qualifying expenditures must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

	2012	2011
Deferred revenue, beginning of year	$ 1,463,445	$ 1,984,753
Proposition 1B (PTMISEA) funds allocated	2,561,941	67,115
Proposition 1B (PTMISEA) interest earned	7,422	8,935
Proposition 1B (PTMISEA) expenditures	(354,073)	(597,358)
Deferred revenue, end of year	$ 3,678,735	$ 1,463,445

NOTE 7 – EMPLOYEES' RETIREMENT PLAN

Plan Description

The Authority's defined benefit pension plan, the Public Employees' Retirement Fund, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Public Employees' Retirement Fund is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by state statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution rate for plan members in CalPERS 2.0% at 60 Retirement Plan is 7% of their annual covered salary. The Authority's policy is to pay one-half of the non-management employees' 7% contribution and the full 7% for management employees.

Employers are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The Authority's required employer contribution rate for fiscal 2011-12 was 5.218%. The funded ratio of the plan is 108.0% as of the June 30, 2009, actuarial valuation, meaning the plan can fully cover 100% of the covered employees and has excess funding available. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS.

NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

For fiscal year 2011-12, the Authority's annual required pension cost was $645,940 and the Authority contributed $645,940. The plan is currently overfunded and the required contribution for fiscal year 2011-12 was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members. Both (a) and (b) include an inflation component of 3.00%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a fifteen year period depending on the size of investment gains and/or losses. The plan's excess assets are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 30 years.

Three-Year Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	$ 606,714	100.0%	$ -
6/30/2011	608,417	100.0%	-
6/30/2012	645,940	100.0%	-

Required Supplementary Information - Funded Status of Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded/ (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
6/30/2007	$ 45,146,830	$ 50,768,851	$ (5,622,021)	112.5%	$ 13,199,584	(42.59%)
6/30/2008	49,153,981	55,087,230	(5,933,249)	112.1%	14,374,317	(41.28%)
6/30/2009	54,287,105	58,609,008	(4,321,903)	108.0%	12,896,961	(33.51%)

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 California Transit Systems Joint Powers Insurance Authority (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 $20 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.

NOTE 8 – RISK MANAGEMENT (Continued)

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 $159,124 and $86,095 at June 30, 2012 and 2011, respectively, 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 Local Agency Workers' Compensation Excess (LAWCX), a joint powers agency (risk sharing pool) established in 1992 as a state-wide joint powers authority and currently there are 33 members consisting of 22 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 is a member of California State Association of Counties Excess Insurance Authority (CSAC-EIA). CSAC-EIA provided coverage up to statutory limits.

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 $946,589 and $985,497 at June 30, 2012 and 2011, respectively, 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 of Directors as a reserve against future unanticipated operating and capital funding shortfalls. As of June 30, 2012 and 2011, this fund, including accrued interest, totaled $1,433,278 and $1,427,923, respectively.

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, 2012 and 2011, totaled $159,124 and $86,095, respectively, and for the workers' compensation totaled $946,589 and $985,497, respectively.

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. As of June 30, 2012, the Authority had 105 retirees, of which 36 participate 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 OPEB Cost and Net OPEB Obligation

The Authority's annual other post-employment benefit (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 enabled 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 thirty years. For fiscal year 2011-12, the Authority's annual OPEB cost was $343,593. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2012 and 2011, were as follows:

	2012	2011
Annual required contribution	$ 344,127	$ 234,346
Interest on net OPEB obligation	658	880
Adjustments to annual required contribution	(1,192)	(1,306)
Annual OPEB cost	343,593	233,920
Contributions made	(352,347)	(233,307)
Change in net OPEB obligation (asset)	(8,754)	613
Net OPEB obligation (asset) - beginning of year	11,963	11,350
Net OPEB obligation (asset) - end of year	$ 3,209	$ 11,963

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2012 and the two preceding years are as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation (Asset)
2010	$ 222,447	$ 527,950	237.34%	$ 11,350
2011	233,920	233,307	99.74%	11,963
2012	343,593	352,347	102.55%	3,209

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

Funding Policy, Funded Status and Funding Progress

The Authority's required contribution for 2011-12 was based on fully funded financing requirements. For fiscal year 2011-12, the Authority contributed $352,347 to the plan.

As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $6,531,977, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $13,510,453, and the ratio of the unfunded actuarial accrued liability (UAAL) to covered payroll was 48.35%.

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 annual required contributions 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, will present 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.

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. Discount rate assumed was 5.5%. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period as of June 30, 2012, was 28 years.

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

The Authority received TDA funds under Article 4 and 4.5 (two subsections: 99260(a) and 99275) of the TDA for the fiscal years ended June 30, 2012 and 2011. 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 Contra Costa County's Local Transportation Fund (LTF).

NOTE 12 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS (Continued)

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

	2012	2011
LTF Allocations for Public Transportation Services:		
99260(a)	$ 12,422,835	$ 11,281,351
Less: applicable expenses	(10,849,497)	(9,530,534)
Unused portion to revert back to (balance due from) Contra Costa County's LTF (Current Year)	1,573,338	1,750,817
Prior year unused portion not returned	1,750,817	2,036,112
Total Unused Portion to Revert Back to Contra Costa County's LTF	$ 3,324,155	$ 3,786,929
LTF Allocations for Community Transit Services:		
99275 and 99260(A)	$ 655,865	$ 464,173
Less: applicable expenses	(655,865)	(464,173)
Unused portion to revert back to Contra Costa County's LTF	-	-
Due Back	3,324,155	3,786,929
Due Back (From) MTC	-	-
Net Due Back	$ 3,324,155	$ 3,786,929

NOTE 13 – 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.

The deferred compensation plan is administered by an unrelated financial institution. Under the terms of IRC Section 457 deferred compensation plan, 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.

NOTE 14 – FUTURE GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Recently, the GASB issued several GASB statements as follows:

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net (Plan if retirement entity) Assets with a Statement of Net (Plan) Position and a Statement of Changes in Net Position instead of the current Statement of Changes in (Plan) Net Assets upon implementation for periods beginning after December 15, 2011. The Authority has determined that is not applicable to the Authority's financial statements.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The Authority has not determined the effects of the implementation of this statement on its financial statements.

GASB Statement No. 66 – *Technical Corrections—2012—an Amendment of GASB Statements No. 10 and No. 62* is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The Authority does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 67 – *Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The Authority does not expect the implementation of this statement to have a material effect on the financial statements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* improves accounting and financial reporting by state and local governments for pensions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The Authority has not determined the effects of the implementation of this statement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
JUNE 30, 2012

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]
7/1/2008	$ -	$ 10,141,492	$ 10,141,492	0.00%	$ 15,578,722	65.10%
7/1/2009	-	4,534,658	4,534,658	0.00%	15,219,990	29.79%
7/1/2011	790,158	7,322,135	6,531,977	10.79%	13,510,453	48.35%

SUPPLEMENTARY SCHEDULE AND OTHER REPORTS

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Program Title	Federal CFDA Number		Grant Expenses
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
FTA Capital and Operating Assistance Grants	20.507		
Grant CA-90-Y605-00 - Capital and Operating		$	4,267
Grant CA-90-Y037-00 - Capital and Operating			183,265
Grant CA-90-Y890-00 - Capital and Operating			3,266,451
Grant CA-90-Y623-00 - Capital and Operating			2,775,024
Grant CA-90-Y985-00 - Capital and Operating			672,718
Grant CA-04-0250-01 - Capital and Operating			134,680
Total Capital and Operating Assistance Grants			7,036,405
Total FTA Grants		$	7,036,405

See accompanying notes to schedule of federal financial assistance.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

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.

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INDEPENDENT AUDITOR'S REPORT ON TRANSPORTATION DEVELOPMENT ACT COMPLIANCE

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

We have audited the basic financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated February 8, 2013.

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.

Compliance with laws, regulations, contracts, and grants applicable to the Authority is the responsibility of the management of the Authority. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by Section 6667 of Title 21, Chapter 3, Subchapter 2, Article 5.5 of the California Code of Regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and the Transportation Development Act.

This report is intended for the information of local, state, and federal governmental control agencies 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
February 8, 2013

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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*

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

We have audited the basic financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the year ended June 30, 2012, and have issued our report thereon dated February 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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

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, 2012, the Authority applied for and received proceeds of $2,561,941, including interest of $7,422 from the State's PTMISEA account for the purpose of transit fleet rehabilitation. As of June 30, 2012, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance – beginning of the year	$ 1,463,445
Proceeds received:	
PTMISEA	2,561,941
Interest earned	7,422
Expenditures incurred:	
Rolling stock vans replacement	(354,073)
Unexpended proceeds, June 30, 2012	$ 3,678,735

We also noted other matters involving internal control over financial reporting that we have reported to management of the Authority in a separate letter dated February 8, 2013.

This report is intended solely for the information and use of the Authority's management, the Board of Directors, the U.S. Department of Transportation, the Metropolitan Transportation Commission, federal agencies, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. 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
February 8, 2013

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

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

Compliance

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) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with 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. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompany schedule of findings and questioned costs as item 2012-1.

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

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

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

Schedule of Expenditures of Federal Awards
We have audited the financial statements of the Authority, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 8, 2013. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Authority. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended for the information of the Authority's management, the Board of Directors, the U.S. Department of Transportation, the Metropolitan Transportation Commission, federal agencies and the State Controller's Office. 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
February 8, 2013

FINDINGS AND QUESTIONED COSTS SECTION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

Section I – Summary of Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	Yes, see item 2012-1

C. Identification of major programs

CFDA Numbers	Name of Federal Program or Cluster
CFDA Number 20.507	Capital and Operating Assistance Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Audit Findings and Questioned Costs

None.

Section III – Federal Awards Findings and Questioned Costs

Finding 2012-1 – Cash Management

Criteria

Per the agreement with the Department of Transportation, the recipient is required to minimize the time between drawdown and disbursement of federal funds to be within three (3) business days.

Condition

During our testing of Federal Compliance Cash Management section, we noted that one (1) of the five (5) federal payments was not dispensed within the allowable time of three (3) business days between drawdown and disbursement.

Effect

The Authority obtained interest on federal funds which were requested early.

Cause

Oversight of not processing payment within allowable time.

Recommendation

We recommend the Authority implement a policy for the review of federal funds. To be in compliance with the three (3) business days between a drawdown and disbursement.

Management Response

Management agrees.

Section IV – Summary of Prior Audit (June 30, 2011) Findings and Current Year Status

Finding 2011-1 – Quarterly Narrative Reports

Criteria

Proper review by another individual is essential to ensure Quarterly Narrative Reports are accurate.

Condition

During our review of the Quarterly Narrative Reports, we noted two grants contained adjustments due to prior errors in reporting. Upon inquiry, we noted the reports are not reviewed or approved by an individual other than the preparer prior to submission.

Effect

Adjustments due to previous errors are causing an overstatement in the current year Quarterly Narrative Reports.

Cause

Lack of review by an individual independent of preparation.

Recommendation

The Authority should implement a procedure for a second responsible individual to review and approve quarterly reports to ensure proper input by the preparer.

Management Response

The Quarterly Narrative Reports will be reviewed in the future.

Current Year Status

The Director of Finance has implemented a review of the quarterly reports.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

AGREED-UPON PROCEDURES FOR
URBANIZED AREA FORMULA
DATA REVIEW

FOR THE FISCAL YEAR ENDING
JUNE 30, 2012

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PKF North America

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

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

The Federal Transportation Administration (FTA) has established the following standards with regard to the data reported to it in the Urbanized Area Formula Statistics Form (901) of the Central Contra Costa Transit Authority's (the Authority) annual National Transit Database (NTD) report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three (3) years following FTA's receipt of the NTD report. The data is fully documented and securely stored.
- A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, are accurate.
- Data is to be consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures, which follow to the data, contained in the accompanying Urbanized Area Formula Statistics Form (901) for the fiscal year ending June 30, 2012. Such procedures, which were agreed to and specified by FTA in the 2012 Reporting Manual and were agreed to by the Authority, were applied to assist you in evaluating whether the Authority complied with the standards described above and that the information included in the NTD report Urbanized Area Formula Statistics Form (901) for the fiscal year ending June 30, 2012, is presented in conformity with the requirements of the Uniform System of Accounts (USOA) and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2012 Reporting Manual. This report is intended solely for the Authority and FTA and should not be used by those who did not participate in determining the procedures.

The procedures described below were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority, as applicable, for the fiscal year ending June 30, 2012, for each of the following modes:

- Bus service - directly operated
- Demand response service - purchased transportation

Agreed-Upon Procedures

a. Obtained and read a copy of written procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the 2012 Reporting Manual. If procedures were not written, discussed the procedures with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data.

b. Discussed the procedures (written or informal) with the personnel assigned the responsibility of supervising the preparation and maintenance of NTD data and determined:

   - The extent to which the Authority followed the procedures on a continuous basis, and
   - Whether they believe such procedures resulted in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR Part 630, Federal Register, January 15, 1993, and as presented in the 2012 Reporting Manual.

c. Inquired of the same person concerning the retention policy that was followed by the Authority with respect to source documents supporting the NTD data reported on the Urbanized Area Formula Statistics Form (901).

d. Based on a description of the Authority's procedures obtained in items a and b above, identified all the source documents which are to be retained by the Authority for a minimum of three years.

   For each type of source document, selected three months out of the year and observed that each type of source document existed for each of the periods.

e. Discussed the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquired whether individuals, independent of the individuals preparing the source documents and posting the data summaries, reviewed the source documents and data summaries for completeness, accuracy, and reasonableness and how often such reviews were performed.

f. Selected a random sample of the source documents and determined whether supervisors' signatures were present as required by the system of internal controls.

g. Obtained the worksheets utilized by the Authority to prepare the final data which was transcribed onto the Urbanized Area Formula Statistics Form (901). Compared the periodic data included on the worksheets to the periodic summaries prepared by the Authority. Tested the arithmetical accuracy of the summarizations.

h. Discussed the Authority's procedure for accumulating and recording passenger mile data in accordance with NTD requirements with the Authority staff. Inquired whether the procedure used was (1) a 100 percent count of actual passenger miles or (2) an estimate of passenger miles based on statistical sampling meeting FTA's 95 percent confidence and 10 percent precision requirements.

   If the Authority conducted a statistical sample for estimating passenger miles, inquired whether the sampling procedure was (1) one of the two procedures suggested by FTA and described in FTA Circulars 2710.1A, 2710.2A; or (2) an alternative sampling procedure.

   If the Authority used an alternative sampling procedure, inquired whether the procedure had been approved by FTA or whether a qualified statistician had determined that the procedure meets FTA's statistical requirements. Note that the use of an alternative sampling procedure had been approved in writing by a qualified statistician.

i. Discussed with the Authority staff the Authority's eligibility to conduct statistical sampling for passenger mile data every third year. Determined whether the Authority met one of the three criteria which allow transit agencies to conduct statistical samples for accumulating passenger mile data every third year rather than annually. Specifically:

- According to the 2000 Census, the public transit agency served as an urbanized area of less than 500,000 population.
- The public transit agency directly operated fewer than 100 revenue vehicles in all modes in annual maximum revenue service (in any size urbanized area).
- The service was purchased from a provider (contractor) operating fewer than 100 revenue vehicles in annual maximum revenue service, and was included in the Authority's NTD report.

If the Authority met one of the above criteria, reviewed the NTD documentation for the most recent mandatory sampling year (2011) and determined that statistical sampling was conducted to accumulate passenger mile data meeting the 95 percent confidence and 10 percent precision requirements.

Determined how the Authority estimated annual passenger miles if the statistical requirements were waived.

j. Obtained a description of the sampling procedure for estimation of passenger mile data used by the Authority. Obtained a copy of the Authority's working papers or methodology used to select the actual sample of runs for recording passenger mile data. If the average trip length was used, determined that the universe of runs were used as the sampling frame. Determined that the methodology was to select specific runs from the universe resulted in a random selection of runs. If a selected sample run was missed, determined that a replacement sample run was randomly selected. Determined that the Authority followed the stated sampling procedure.

k. Selected a random sample of the source documents for accumulating passenger mile data and determined that they were complete (all required data was recorded) and that the computations were accurate. Selected a random sample of the accumulation periods and recomputed the accumulations for each of the selected periods. Listed the accumulation periods which were tested. Tested the arithmetical accuracy of the summarization.

l. Discussed the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority staff and determined that stated procedures were not applicable as the Authority does not provide charter or school bus service.

m. For vehicle revenue mile data, documented the collection and recording methodology and determined that deadhead miles were systematically excluded from the computation.

This was accomplished as follows:

- If vehicle revenue miles were calculated from schedules, documented the procedures used to subtract missed trips. Selected a random sample of the days that service was operated and recomputed the daily total of missed trips and missed vehicle revenue miles. Tested the arithmetical accuracy of the summarization.
- If vehicle revenue miles were calculated from hubodometers, documented the procedures used to calculate and subtract deadhead mileage. Selected a random sample of the hubodometer readings and determined that the stated procedures for hubodometer deadhead mileage adjustments were applied as prescribed. Tested the arithmetical accuracy of the summarization of intermediate accumulations.
- If vehicle revenue miles were calculated from vehicle logs, selected a random sample of the vehicle logs and determined that the deadhead mileage had been correctly computed in accordance with FTA's definitions. Tested the arithmetical accuracy of the summarization of intermediate accumulations.

n. Rail modes - not applicable.

o. Fixed guideway - not applicable.

p. Fixed guideway - not applicable.

q. Fixed guideway - not applicable.

r. Fixed guideway - not applicable.

s. Fixed guideway - not applicable.

t. Fixed guideway - not applicable.

u. Compared operating expenses with audited financial data, after reconciling items were removed.

v. If the Authority purchased transportation services, inquired of the personnel responsible for reporting the NTD data regarding the disposition of purchased transportation generated fare revenues. Specifically, determined whether purchased transportation fare revenues were retained by the contract service provider, and if so, the amount of such fares, or whether the purchased transportation fare revenues were returned to the Authority.

   If purchased transportation fare revenues were retained by the purchased service provider, obtained documentation of retained fare revenue amounts as reported by the contract service provider and agreed the total to retained fare revenues reported on the Contractual Relationship Identification Form (002).

w. If the Authority's report contained data for purchased transportation services, provided by contractor(s) operating fewer than 100 vehicles in maximum service, and assurances of the data for those services was not included in the engagement, obtained a copy of the Auditor Statement for Urbanized Area Formula data of the purchased transportation service and attach a copy of the statement to the report. If the Authority did not have an Auditor Statement for the purchased transportation data, note as an exception.

x. If the Authority purchased transportation services, obtained a copy of the purchased transportation contract and determined that the contract (1) specified the specific mass transportation services to be provided by the contractor; (2) specified the monetary consideration obligated by the Authority or governmental unit contracting for the service; (3) specified the period covered by the contract and that this period was the same as, or a portion of, the period covered by the Authority's NTD report; and (4) was signed by representatives of both parties to the contract. Inquired of the person responsible for maintaining the NTD data regarding the retention of the executed contract, and determined that copies of the contracts are retained for three years.

y. If the Authority provided service in more than one urbanized area, or an urbanized area and a non-urbanized area, inquired of the person responsible for maintaining the NTD data regarding the procedures for allocation of statistics between urbanized areas and non-urbanized areas. Obtained and reviewed the worksheets, route maps and urbanized area boundaries used for allocating the statistics and determined that the stated procedure was followed and that the computations were correct.

z. Compared the data reported on the Urbanized Area Formula Statistics Form (901) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For vehicle revenue mile, passenger mile, or operating expense data that have increased or decreased by more than 10 percent, inquired of the Authority management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

In performing the procedures, no matters came to our attention that caused us to believe that the information included in the NTD report on the Urbanized Area Formula Statistics Form (901) for the fiscal year ending June 30, 2012, is not presented in conformity with the requirements of the Uniform System of Accounts and Records and Reporting System; Final Rule, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the 2012 Reporting Manual. We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Authority and the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 8, 2013

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BROWN ARMSTRONG

Certified Public Accountants

AGREED UPON FINDINGS REPORT DESIGNED TO INCREASE EFFICIENCY, INTERNAL CONTROLS AND/OR FINANCIAL REPORTING

To the Audit and Finance Committee
Central Contra Costa Transit Authority
Concord, California

In planning and performing our audit of the basic financial statements of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the basic 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Current Year Findings and Recommendations

Agreed Upon Finding 1 – Compensated Absences (Vacation and Sick) and Workers' Compensation and Liability Reserve Schedules

Finding

During our review of client prepared schedules for compensated absences vacation accrual and workers' compensation reserve and liability reserve, we noted manual errors which occurred due to oversight. The errors in total do not materially misstate the financial statements and the Authority has passed on making the adjustments.

Recommendation

The Authority should implement a review of actual formulas within the worksheets as part of the review and approval process.

Management Response

Management agrees.

Status of Prior Year Findings and Recommendations

Agreed Upon Finding 1 – Payroll

Finding

During our payroll test of controls, we noted an employee was paid an incorrect hourly rate, $21.83 instead of $21.98. When the employee's step increased, his new hourly rate was manually input incorrectly into the payroll system. This change was not reviewed by a second individual. The result of this finding amounted to the employee being underpaid by $96.51. If not corrected until the next step, the result would have been a $312 underpayment.

Recommendation

We recommend the Authority implement a step in its payroll process where pay rates are reviewed when they are manually updated in the payroll system. This would ensure that any errors in a change in salary would be caught early on before the individual begins receiving paychecks.

Management Response

The ADP system generates a report biweekly showing any master file changes. The Payroll Supervisor will forward the report to the Director of Finance for review.

Current Year Status

This has been implemented.

Agreed Upon Finding 2 – Cash Disbursements

Finding

During our testing of cash disbursements, we selected 40 transactions to test. Out of the 40 transactions, we noted one instance in which a dual signature on the check was not obtained.

Recommendation

The Authority's policy requires dual signatures on all disbursements prior to payment. We recommend the Authority perform procedures to ensure all disbursements contain the required dual signatures.

Management Response

The invoice the check was written for was approved by two authorized employees. The check was a manual check and it was cashed with only one signature. We have notified the bank of this and we will have a second Authority employee review and mail the manual checks.

Current Year Status

This has been implemented.

Agreed Upon Finding 3 – Capital Asset Disposals

Finding

During our testing of capital assets, we selected a sample of ten assets to physically inspect. We noted there was one asset that had been disposed but remained on the books. The cost of the asset was $78,363 and had a net book value of $2,466.

Recommendation

We inquired with management regarding the procedures in place relating to disposals and noted that staff is aware to inform Finance regarding disposals. We recommend management continue its efforts to communicate with staff regarding the importance of notifying Finance and providing information when an asset is disposed so that the books can be adjusted accordingly.

Management Response

We disposed of 62 fixed assets, all but three were IT equipment. The IT Department should also have notified Finance about the above asset, but it was missed.

Current Year Status

This has been discussed with the IT manager. No similar instance noted in the current year.

****

This information is intended solely for the use of the Audit and Finance Committee, Board of Directors and management of the Authority and should not be used for any other purpose. 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
February 8, 2013

Pfx Engagement\15998 2012 Audit\FS Agreed Upon Conditions

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Certified Public Accountants

REQUIRED COMMUNICATION TO THE AUDIT AND FINANCE COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Audit and Finance Committee
Central Contra Costa Transit Authority
Concord, California

We have audited the basic financial statements of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011/2012. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Estimated Useful Lives of Capital Assets – Management estimates the useful lives of its capital assets for purposes of calculating annual depreciation expense to be reported in the Authority's results of operations. Estimated useful lives range from 9 to 13 years for Revenue Transit Vehicles; 3 to 10 years for Shop, Office Other Equipment, and Service Vehicles; and 30 years for Building and Structures.
- Self-Insurance Liability – This represents management's estimate of the estimated liability for Public Liability Claims and Workers' Compensation Claims to be paid for which the Authority is self-insured, and includes management's estimate of the ultimate costs for both reported claims and claims incurred but not reported.
- The liability for Post-Employment Benefits Other Than Pension Benefits is based on actuarial evaluations, which involve estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

We evaluated the key factors and assumptions used to develop accounting estimates in determining that they were reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were the disclosure of capital assets, self-insurance liability, and the liability for Post-Employment Benefits Other Than Pension Benefits as described above.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not propose any adjustments. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated February 8, 2013.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Audit and Finance Committee, Board of Directors, and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 8, 2013

Central Contra Costa Transit Authority
Period Ending: 6/30/12
Passed Journal Entries Report

Number	Account	Description	Dr.	Cr.
1	10-50211104	Vacatn, Maint Admin	21,780	-
	10-50211108	Vacatn, Cust Serv	14,569	-
	10-50211111	Vacatn, Finance	14,092	-
	10-50211114	Vacatn, Planning	9,941	-
	10-20205001	APL, Accrd Vacation	-	60,382
			60,382	**60,382**

To correct accrued vacation liability for FY2012.

Number	Account	Description	Dr.	Cr.
2	10-20505006	OCL-Worker's Comp Reserve	27,108	-
	10-50208103	WC, Operators	-	27,108
			27,108	**27,108**

The County Connection

Inter Office Memo

To: Board of Directors

Date: February 15, 2013

From: Rick Ramacier

Reviewed by:

SUBJECT: Draft County Connection 2013 Federal Legislative Program and State Program

Background

Attached you will find draft copies of the proposed County Connection 2013 federal and state legislative programs. Staff wishes to review both of these with you at your meeting on February 21, 2013. Staff also seeks your feedback.

Once approved by the Board, these two pieces will be used to inform our congressional and state legislative delegations of our legislative interests in 2013.

MP&L Committee Review

The MP&L Committee reviewed a first draft of both the federal and the state programs. The attached drafts are second drafts that take into account their comments. They have forwarded this item to the full Board for approval.

Action Requested

The MP&L Committee and staff respectfully request that you approve the two attached draft legislative programs at your meeting on February 21, 2013. This would occur upon completing your review of the two drafts and providing comment at the same meeting.

County Connection Benefits The Community By

- Providing direct connections to shopping via shuttles from neighborhoods and BART.
- Providing commuter shuttles that reduce travel time, relieve congestion, and connect to regional transportation services.
- Providing comprehensive local services that allow students to use public transit to go to and from school.
- Providing direct and convenient service between communities of concern like the Monument Corridor in Concord and medical facilities like the County Hospital.
- Providing over 200 good paying blue collar jobs, and by indirectly supporting hundreds more through the purchase of vehicles and supplies.
- Providing alternative modes of transportation that support economic enhancement, environmental improvements, promote energy independence, senior mobility, student transportation, and connections to the Bay Area region for all activities.

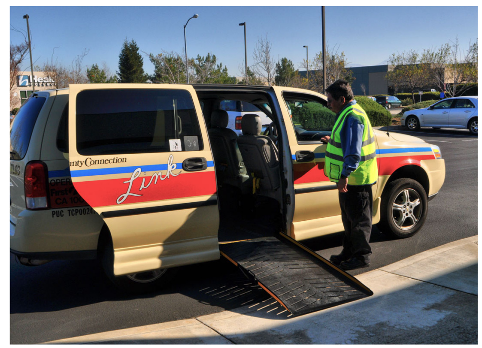
County Connection

2477 Arnold Industrial Way • Concord, CA 94520 • (925) 676-1976

The information in this brochure is available on the County Connection website - www.cccta.org

County Connection

2013 Federal Legislative Program



COUNTY CONNECTION

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Central Contra Costa Transit Authority (County Connection)

Is a joint powers agency of 11 communities serving a population of nearly 500,000 people taking over 3.6 million transit trips annually. The annual combined operating budget of County Connection is over $34 million. County Connection operates 121 fixed-route buses and another 54 paratransit vehicles.

County Connection serves a dynamic and diverse modern suburban area that is geographically spread out. Serving such an area is both challenging and rewarding. County Connection patrons are ethnically and economically diverse, and often transit dependent. Without County Connection services, many central Contra Costa County residents would have no transportation available for work, school, medical appointments, or to take advantage of recreational opportunities. For them County Connection is a life sustaining service!

County Connection Customers Are

- Commuters going to work.
- People connecting to regional rail like BART and ACE Train.
- Students going to school.
- Seniors and persons with disabilities who are dependent on public transit.

County Connection Innovation

- County Connection will use a federal Clean Fuels grant to fund the full electrification of our highly successful Walnut Creek downtown trolley.
- County Connection maintains a nationally recognized public-private partnership with the Bishop Ranch Business Park to provide frequent and fast shuttles between Bishop Ranch and two regional rail systems, BART and the ACE Train. This features significant operating cost reimbursement as well as full fare subsidy from Bishop Ranch.
- County Connection customers can use Bus Tracker, a real time bus stop information system that allows people to access real time bus arrival predictions from their laptops and smart phones.
- County Connection uses clean burning hybrid Gillig buses manufactured locally.

Federal Positions

A. Reauthorization of the Moving Ahead for Progress in the 21st Century (MAP 21) with the following principles:

1. Secure the financial integrity of the Mass Transit Account with the Highway Trust Fund.
2. Double the size of the federal investment in transit over six years to meet at least 50% of the estimated $60 billion in annual critical public transit capital needs by the end of the six years, and to support a projected doubling of ridership over the next 20 years.
3. Continue to allow the use of federal formula funds for preventive maintenance and the allowance of greater use of federal funds to maintain present levels of service through direct operating assistance options.
4. Maintain the new program structures for Enhanced Mobility of Seniors and Individuals with Disabilities, and continue the folding of the old Job Access/Reverse Commute program within the 5307 and 5311 formula programs. Maintain and enhance the related coordination requirements.
5. Create any Metro Mobility program as a flexible program funded out of FHWA funds in addition to any transit 5307 program. **Ensure equal access to such funds for suburban transit systems in large urban areas.**
6. Maintain the ADA set-a-side option in the 5307 program.

County Connection relies on over $5 million dollars on an annualized basis in federal transit funding for critical needs like bus replacement and preventative maintenance. Without this funding, County Connection would have to permanently reduce its services by at least 33%. Thus, a strong and robust reauthorization of MAP 21 is crucial to the core mission of County Connection.

B. Revise and increase funding in the Bus and Bus Facilities Formula (5339) such that:

1. Each individual Urbanized Area (UZA) as defined receives a formula share of 5339 that must be spent in that area. This formula should be based in part on population and modeled on the 5307 formula.
2. Inadequate funding in the 5339 program is greatly increased to higher levels of funding to make it a meaningful program similar to the State of Good Repair program – which is rail intensive. Under MAP 21, the State of Good Repair program is funded at five times the level of the Bus and Bus Facilities program. Thus, bus improvement programs that were once funded under the old 5309 program prior to MAP 21 are now comparably and significantly underfunded, and very few bus projects can proceed nationally. The 5339 program funding should increase to at least $1.2 billion annually in order to restore comparability to the previous 5309 program.

This is the only real program where suburban bus agencies like County Connection can go to federally for resources to help fund bus facility improvements and/or expansions to rolling stock that allow for the strategic expansion of services. Without a robust 5339 program, agencies like County Connection will be very hard-pressed to enhance or expand services to meet the growing demand for suburban bus service.

C. FY2014 Transit Appropriations funded to authorized levels including:

1. Funding transit at a level that is greater than FY13 levels.
2. Funding that is provided in a timely basis and without unnecessary or overly burdensome review.

A full FY14 transit appropriations bill is needed to ensure that County Connection receives the federal funding it is counting on to maintain services and its capital equipment in a state of good repair.

- Transit dependent people who are productively participating in the community.
- Residents who want to connect to their life activities in a manner that reduces their carbon footprint.

County Connection Faces Financial Challenges

- County Connection lost over 15% (over $16 million in total) of its annual operating funds during the recent recession. County Connection cannot make any significant service additions without additional operating revenues.
- County Connection employees agreed to long term wage freezes and benefit reductions.
- County Connection has eliminated and restructured its least productive services.

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County Connection

2013 State Legislative Program

COUNTY CONNECTION

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State Positions

A. Fully fund the State Transit Assistance (STA) in FY14 by maintaining the sales tax on diesel fuel rates, and by ensuring that all of those proceeds are deposited in the Public Transportation Account (PTA) as called for by current law.

STA is expected to provide County Connection with approximately $3.2 million in FY14 which represents nearly 10% of its projected operating budget in FY14. Without this STA funding, County Connection would have to cut up to 15% of its service.

B. Fully appropriate the highest possible level of Proposition 1B bond revenue as a part of the FY14 state budget, and ensure that bonds are issued timely by the Treasurer's Office so that Proposition 1B projects are not delayed.

County Connection is programmed to receive federal grants in FY14 to replace old buses and paratransit vehicles. The required local match is to be Proposition 1B funds. If sufficient Proposition 1B bonds are not sold in a timely manner, these crucial vehicle replacement projects could be delayed or worse. A lack of Proposition 1B funding could put County Connection federal funding at

risk as well. Finally, without its expected FY14 Proposition 1B funding, County Connection will have to keep less reliable and energy efficient vehicles on the street longer than anticipated, driving up operating costs, and leading to less reliable service to the public.

C. Improve Non-Emergency Medical Transportation (NEMT) coordination with public transit service by allowing public transit operators to act as Medi-Cal transportation brokers, and allowing Medi-Cal users to be reimbursed for using fixed-route transit to and from medical services.

This will allow County Connection to better coordinate overly expensive Medi-Cal trips with ADA paratransit trips thereby increasing overall productivity and paratransit coordination. Allowing Medi-Cal users to use fixed-route services and get reimbursed will save the state significant money.

As California implements the Affordable Healthcare Act (AHCA), the potential number of Medi-Cal transportation based users will likely explode. These will be individuals that qualify based on income rather than health condition. It only makes financial sense that California allows public transit operators to transport these individuals on fixed-route services and receive fare reimbursement versus transporting otherwise healthy, able-bodied people via more expensive means.

D. Provide local or regional areas greater ability and flexibility to seek voter approval for additional tax or fee revenues to support transit capital and operations.

County Connection can only maintain present service levels at best. Without additional revenue support, County Connection will not be in position to help its communities implement AB32 or SB375, or work to meet the growing transportation needs of seniors.

- Seniors and persons with disabilities who are dependent on public transit.
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To: Board of Directors | Date: February 15, 2013

From: Rick Ramacier | Reviewed by:

SUBJECT: AB160 – Alejo

Background

As expected, a bill has been introduced (AB160) to exempt public transit employees that are in unions from the recently enacted state pension reform (PEPRA). The unions maintain that PEPRA conflicts with section 13(c) of federal transportation law. Among other things, section 13(c) requires public transit operators that receive federal funds to negotiate with unions on pension benefits. The unions claim that PEPRA takes way the right to bargain over pension benefits.

The unions are filing 13(c) objections with the US Department of Labor (DOL) against the federal grants of applicable California transit operators and citing PEPRA as the reason. If AB160 were to be enacted, the unions would presumably drop these objections.

Many well respected labor attorneys have pointed out quite clearly how PEPRA in fact requires bargaining with public unions over pensions and over PEPRA implementation. To that end, I have invited all three of our unions to bargain with us over PEPRA. So far, none of our unions have asked to bargain about this.

This week, the Governor's office publically stated their view that PEPRA does not conflict with section 13(c). And, they are indicating they would likely veto AB160, should it reach their desk.

Action Requested

It remains to see if AB160 moves through the legislative process. The Governor has suggested he does not support such legislation. At this time, I recommend that County Connection remain neutral on AB160. I further recommend that we educate our state delegation on the facts surrounding these issues related to AB160.

The MP&L Committee agreed with the staff recommendation at their meeting earlier this month.

California's Pension Redo

The Wall Street Journal
February 9, 2013 Saturday

THE WALL STREET JOURNAL
Section: Pg. A12; REVIEW & OUTLOOK (Editorial)

Length: 554 words

Body

Well, that didn't take long. The **pensionreforms** that **California**Governor Jerry Brown signed in September have been in effect for all of a month, and Democrats are already seeking a partial annulment. The Kim Kardashian-Kris Humphries marriage had more staying power.

State assemblyman Luis Alejo (D., Teamsters) wants to exempt some 20,000 mass transit workers on the pretext that the new **pension** law violates the 1964 Urban Mass Transportation Act, which five or six of our readers may remember. At the time private transit companies were going broke because of unwieldy labor agreements. So Congress offered money to municipalities to acquire the transit systems, though the capital came at a high price.

In return for the cash, the public transit agencies had to agree to honor existing labor agreements and preserve pay, benefits and jobs against a "worsening of their employment condition." These mandates still apply to most mass transit agencies that get a check from Uncle Sam.

In recent years unions have used the law to prevent public transit agencies from outsourcing work to the private sector. If private contractors cut worker pay, public agencies by law have to make up the difference between the old and new wages. They also have to pay six years of severance to laid-off employees.

Now the Teamsters and the Amalgamated Transit Union are trying to use the law to exempt their workers from **California**'s **pensionreforms**, which cap the salary on which the annuities of new workers are calculated at 120% of the Social Security wage base. The **reforms** also require new hires to pay half of the "normal cost" of their benefits.

The unions say the **reforms** violate the federal transit law by reducing benefits and abridging collective bargaining rights. But the **reforms** don't reduce existing benefits. They merely provide lower benefits for new workers. And if the **reforms** really impaired collective bargaining, they would also violate state law. The unions notably aren't suing on those grounds in state court.

Instead they've petitioned the federal Department of Labor to cut off **California** transit agencies for violating federal law. After spending millions to re-elect President Obama, unions expect some White House payback. The Labor Department has responded sympathetically by instructing the agencies and unions to talk out their differences. That's nice.

Meanwhile, transit systems are postponing maintenance and preparing to reduce services if the Labor Department decides to oblige the union request to choke off federal funds. The real union goal, however, is to impel state lawmakers to intervene.

Enter Mr. Alejo. The Democratic assemblyman says legislating an exemption for transit unions is necessary to keep the federal spigot open. However, the Department of Labor is empowered to reject union complaints that are insubstantial. State lawmakers who aren't wholly owned union subsidiaries ought to demand that the Obama Administration do so.

Congress in the meantime can end the federal government's 50-year bailout of the transit unions by removing the pricey labor requirements on federally funded systems. Note to Democrats: This would help poor Americans who are public transit's heaviest users.

Notes

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Organization: AMALGAMATED TRANSIT UNION (54%)

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Person: JERRY BROWN (73%); KIM KARDASHIAN (57%); BARACK OBAMA (57%)

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THE WALL STREET JOURNAL.
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OPINION | February 6, 2013, 6:16 p.m. ET

Revoking the Federal Free Pass on Pensions

Congress can help fix the irresponsible fiscal promises of state and local governments.

By CARL DEMAIO

As if fiscal cliffs and debt ceilings weren't exciting enough, Congress today is ignoring a gathering financial tsunami—the unaffordable pension promises of state and local governments.

Consider California, where just 10 individual pensioners will cash $50 million in pension checks from state and local governments over the next 25 years. Already some 30,000 retired California government employees pull in pensions higher than $100,000 a year. One retired librarian in San Diego receives a $234,000 annual pension. Beach lifeguards in Orange County are retiring at age 51 with $108,000 annual pensions plus health-care benefits.

A 2011 study by the Congressional Research Service pegged the combined liabilities faced by state and local pension funds at over $3 trillion. That is more than all the bonded debt officially listed on state and local balance sheets combined. To put the issue in perspective, all the federal tax hikes approved by Congress on Jan. 1 would pay less than 20% of America's state and local pension debt over the next 10 years.

The good news: While the federal government isn't technically responsible for these pension debts, Congress could enact tough reform legislation to protect taxpayers and prevent further abuses.

Washington has tightly regulated private pension systems since the 1974 Employee Retirement Income Security Act, but that law exempted the pension systems of state and local governments. Four decades and $3 trillion in debt later, it is clear Congress made a mistake.

In the absence of federal rules, state and local pension systems have become governed by a confusing patchwork of state statutes, constitutional provisions, judicial rulings and local ordinances. While some government unions have argued that state and local pensions cannot be reformed by federal legislation because they are "vested," or owned by their intended beneficiaries, there are many changes that Congress could enact.

Lawmakers could begin by imposing tough financial-disclosure rules on state and local pension systems. Without tough Erisa standards for financial accounting and disclosure of costs, too many state and local pension boards have cooked their books. To mask true pension costs, some boards have inflated earnings via rosy economic forecasts, allowed states and localities to skip required contributions, and pushed debt repayment far into the future.

Scores of state and local governments are using "pension obligation bonds" to bail out troubled pension programs on the risky wager that they can beat Wall Street investment returns. There is $64 billion in such bond debt outstanding in the U.S., with more expected to flood the market this year.

Recent studies summarized by the Congressional Research Service have shown that the vast majority of pension obligation bonds are costing taxpayers billions in increased costs on the bonds themselves plus poor returns on the proceeds deposited in troubled pension systems. The city of Stockton, Calif., declared bankruptcy last year largely due to its misguided use of such bonds.

Congress's opportunity, then, is to tweak the Internal Revenue Code to discourage the use of pension obligation bonds—for example, by eliminating tax exemptions for any state or locality that issues them.

Lawmakers in Washington can also amend the tax code to make it easier for public employees to dump more expensive pensions—into which they will have to pay increasingly more over time—in favor of hybrid plans or 401(k) retirement accounts. Rep. Loretta Sanchez (D., Calif.) has proposed one such reform that could allow taxpayers and government workers to save billions.

Every dollar saved by such congressional action would reduce the need for tax increases and allow state and local authorities to restore vital services, improve schools, fix streets and invest in the future.

Mr. DeMaio, a senior fellow at the Reason Foundation, was the primary author of the San Diego Pension Reform Initiative that voters approved last June.

A version of this article appeared February 7, 2013, on page A13 in the U.S. edition of The Wall Street Journal, with the headline: Revoking the Federal Free Pass on Pensions.