

County Connection

2477 Arnold Industrial Way Concord, CA 94520-5326 (925) 676-7500 countyconnection.com

ADMINISTRATION & FINANCE COMMITTEE MEETING AGENDA

Wednesday, December 7, 2016
9:00 a.m.

Hanson Bridgett
1676 North California Blvd., Suite 620
Walnut Creek, California

The committee 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 committee.

1. Approval of Agenda
2. Public Communication
3. Approval of Minutes of November 17, 2016*
4. Closed Session:
 - a) Liability Claims (Government code Section 54956.95) Claim against Central Contra Costa Transit Authority; Claimant: Antonio De LaTorre
 - b) Conference with Labor Negotiator (pursuant to Government Code Section 54957.6)
Employee Organizations:
Amalgamated Transit Union, Local 1605
Machinists Automotive Trades District Lodge No. 1173
5. Open Session: Report of Action taken in Closed Session
6. Amendment to Cafeteria Plan for Affordable Care Act Compliance*
7. FY2016 Audit-Teleconference*
8. County Connection Income Statements for the Three Months Ended September 30, 2016*
9. County Connection Investment Policy-Quarterly Reporting Requirement*
10. Review of Vendor Bills, November 2016**

*Enclosure

**Enclosure for Committee Members

***To be mailed under separate cover

FY2016/2017 A&F Committee

Don Tatzin – Lafayette, Al Dessayer - Moraga, Sue Noack – Pleasant Hill, Candace Andersen – Contra Costa County

Clayton • Concord • Contra Costa County • Danville • Lafayette • Martinez
Moraga • Orinda • Pleasant Hill • San Ramon • Walnut Creek

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

11. Legal Services Statement, September 2016-General, September 2016-Labor**
12. Next Scheduled Meeting – January 4, 2017
13. Adjournment

General Information

Public Comment: Each person wishing to address the committee is requested to complete a Speakers Card for submittal to the Committee Chair before the meeting convenes or the applicable agenda item is discussed. Persons who address the Committee are also asked to furnish a copy of any written statement to the Committee Chair. 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 Committee.

A period of thirty (30) minutes has been allocated for public comments concerning items of interest within the subject matter jurisdiction of the Committee. Each individual will be allotted three minutes, which may be extended at the discretion of the Committee Chair.

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

Accessible Public Meetings: Upon request, County Connection 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 County Connection at least 48 hours before the meeting convenes. Requests should be sent to the Assistant to the General Manager, Lathina Hill, at 2477 Arnold Industrial Way, Concord, CA 94520 or hill@countyconnection.com.

Shuttle Service: With 24-hour notice, a County Connection LINK shuttle can be available at the BART station nearest the meeting location for individuals who want to attend the meeting. 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, January 19, 9:00 a.m., County Connection Board Room
Administration & Finance:	Wednesday, January 4, 9:00 a.m., 1676 N. California Blvd., S620, Walnut Creek
Advisory Committee:	TBA. County Connection Board Room
Marketing, Planning & Legislative:	Tuesday, January 3, 8:30 a.m., 1676 N. California Blvd., S620, Walnut Creek
Operations & Scheduling:	Friday, January 6, 8:00 a.m. Supervisor Andersen's Office 309 Diablo Road, Danville, CA

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

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

Administration and Finance Committee
Summary Minutes
November 17, 2016

The meeting was called to order at 8:30 a.m. on the 3rd Floor Conference Room at County Connection. Those in attendance were:

Committee Members:	Director Al Dessayer Director Don Tatzin Director Sue Noack Director Candace Anderson
Staff:	General Manager Rick Ramacier Director of Finance Erick Cheung

1. Approval of Agenda- Approved.
2. Public Communication- None.
3. Approval of Minutes of October 5, 2016- Approved.
4. Closed Session:
Liability Claims (Government code Section 54956.95) Claim against Central Contra Costa Transit Authority;
Claimant: Thelma Everett
5. Open Session: Report of Action taken in Closed Session- Direction was given for disposition of claim with Thelma Everett.
6. Consideration to Approve Agreement between County Connection and The Center for Transportation and the Environment (CTE) and forward to the Board Resolution No. 2017-006 for approval. – General Manager Ramacier provided a summary of the Low-No grant received from the FTA. CTE will assist in the replacement of four diesel buses with four battery electric buses. These four buses will be built and work exactly as the four recently produced electric trolleys sans the trolley skin. CTE will assist in technology evaluation, project management and planning, an evaluation of which routes would be the most effective and efficient for four battery electric buses to run on within our system, and to assist us in working with the utilities and FTA. The agreement with CTE will be written to not exceed \$390,000. The Low-No grant includes the \$390,000 budgeted for the agreement. Committee approved Agreement and Resolution No. 2017-006 for Board approval.
7. Review of Vendor Bills, October 2016- Reviewed.
8. Legal Services Statement, August 2016, General & Labor- Approved.
9. Adjournment- The meeting was adjourned. The next meetings will be tentatively scheduled for Wednesday, December 7th at 9:00 a.m at the Walnut Creek offices of Hanson Bridgett.

INTER OFFICE MEMO

To: A & F Committee

Date: 11/22/16

From: Lisa Rettig, Senior Manager of Human Resources

Reviewed by: Rick Ramacier

SUBJECT: Amendment to Cafeteria Plan for Affordable Care Act Compliance

SUMMARY OF ISSUES:

1. CCCTA makes contributions under its Cafeteria Plan for all eligible employees, in varying amounts depending on: 1) whether the employee elects to enroll in CCCTA's health coverage, and 2) if so, which benefit package and coverage tier is elected. For employees who do not elect to enroll in CCCTA's health coverage, the amount of CCCTA's contribution is \$50-\$200 per month, depending on employee group, and may be applied toward the cost of CCCTA's vision coverage (which is 100% employee-paid), used to purchase additional vacation days, or cashed out at the end of the year. In the past, CCCTA has not required that employees have other health coverage in order to elect not to enroll in CCCTA's health coverage.

2. Under the Affordable Care Act ("ACA"), CCCTA could be liable for a tax penalty, unless 95% of full-time employees are offered health coverage that provides "minimum value" and is "affordable" within the meaning of the ACA. Under recent IRS guidance, contributions made by CCCTA under its Cafeteria Plan to employees who elect not to enroll in CCCTA's health coverage could affect whether CCCTA's coverage is "affordable" for purposes of the ACA employer penalty rules. Further, there is some risk that CCCTA's contributions under the Cafeteria Plan for employees who waive coverage could expose CCCTA to a non-compliance penalty under the ACA. These risks may be avoided by amending the Cafeteria Plan (and coverage waiver procedures) to provide that an employee who elects not to enroll in CCCTA's coverage will only be eligible to receive contributions made by CCCTA under the Cafeteria Plan, if the employee attests that he or she, and all of his or her tax dependents, have other group health coverage that provides "minimum value" within the meaning of the ACA. The attached amendment to the Cafeteria Plan will revise the written Plan document to reflect this new procedure, which was implemented during the 2017 plan year open enrollment process. (The amendment reflects the language used in the regulatory requirement that employees "attest" to having other qualifying coverage, while open enrollment materials and election forms sent to employees used the term "certify" instead of "attest" for clarity.)

3. The amendment clarifies that coverage under CCCTA's vision plan is a Cafeteria Plan benefit option for all employee groups, which is consistent with current Cafeteria Plan operations.

4. The amendment clarifies that an employee who previously consented to salary reductions to the extent necessary to pay for the cost of elected benefits that exceeds CCCTA's contributions under the Cafeteria Plan for the employee may be deemed to have continued such consent in accordance with Section 4.7 of the Cafeteria Plan, which is consistent with current Cafeteria Plan operations.

FINANCIAL IMPLICATIONS:

Currently, approximately 45 employees have elected to waive CCCTA's health coverage. If any of those employees does not make the required certification, but continues to elect not to enroll in CCCTA's health coverage, CCCTA would not expend the Cafeteria Plan contribution that would otherwise be made for that employee. If any of those employees elects to enroll in CCCTA's health coverage as a result of the change, CCCTA's contributions under the Cafeteria Plan would increase from the amount paid for employees who waive coverage (\$50-\$200 per month, depending on employee group) to the amount paid for employees who elect CCCTA's health coverage (\$ 707.67 to \$2175.44 per month, depending on employee group and coverage tier).

RECOMMENDATION:

Staff recommends that the Committee forward the amendment to the Cafeteria Plan to the full Board for approval and adoption.

ATTACHMENT:

Amendment to Cafeteria Plan in the form of revised Appendix A, effective January 1, 2017.

APPENDIX A

Benefit Options Under the Central Contra Costa Transit Authority Cafeteria Plan

Effective January 1, 2017

The provisions set out under Sections A - D below will apply for the Year beginning January 1, 2017. Such provisions will remain in effect for subsequent Years unless and until modified by the Authority or, if earlier, the termination of the Plan.

A. ATU Participants

1. This Section A applies to each Participant who is a member of the ATU bargaining group ("ATU Participant").
2. Each ATU Participant may elect under the Plan ~~to receive either~~ coverage under the health plan maintained by the Authority, namely the Public Employees' Medical and Hospital Care Act (PEMHCA), ~~or paid vacation days, and may be eligible to receive an Authority Contribution,~~ as follows:

- *PEMHCA coverage:* If the ATU Participant elects PEMHCA coverage, the Authority will make monthly contributions under the Plan for such coverage, in the following amounts:

<u>Coverage Election</u>	<u>Authority Contributions per Calendar Month</u>
Employee only	\$501.25
Employee plus one	\$809.92
Employee plus two or more dependents	\$1078.57

- ~~*Paid vacation days*~~*No PEMHCA coverage:* If the ATU Participant elects not to enroll in PEMHCA and makes the required attestation described in Section D, below, paid vacation days, he or she will receive ~~vacation days equivalent to~~ an Authority Contribution under the Plan in the amount of \$150 per month, which may be applied toward the cost of coverage under the Authority's vision plan, or for paid vacation days in accordance with Section 4.3 of the Plan, or both, under the Authority's vacation policy.
3. Each ATU Participant may elect to receive coverage for the Year under the ~~District's~~ Authority's vision plan. If the Participant so elects, the coverage premium will be deducted on a pre-tax basis from the Participant's Authority compensation, unless the Authority Contribution for a Participant who elects not to enroll in PEMHCA is applied toward the cost of the coverage.

B. Teamster Participants

1. This Section B applies to each Participant who is a member of the Teamster bargaining group (“Teamster Participant”).
2. Each Teamster Participant may elect under the Plan ~~to receive either~~ PEMHCA coverage ~~or paid vacation days,~~ as follows:

- *PEMHCA coverage:* If the Teamster Participant elects PEMHCA coverage, the Authority will make monthly contributions under the Plan for such coverage, in the following amounts:

<u>Coverage Election</u>	<u>Authority Contributions per Calendar Month</u>
Employee only	\$481.13
Employee plus one	\$769.65
Employee plus two or more dependents	\$1026.23

- ~~*Paid vacation days*~~ *No PEMHCA coverage:* If the Teamster Participant elects ~~not to enroll in PEMHCA and makes the required attestation described in Section D, below~~ ~~paid vacation days,~~ he or she will receive ~~vacation days equivalent to an Authority Contribution under the Plan in the amount of \$50 per month, which may be applied toward the cost of coverage under the Authority’s vision plan, or for paid vacation days in accordance with Section 4.3 of the Plan, or both under the Authority’s vacation policy.~~

3. ~~Each Teamster Participant may elect to receive coverage for the Year under the Authority’s vision plan. If the Participant so elects, the coverage premium will be deducted on a pre-tax basis from the Participant’s Authority compensation, unless the Authority Contribution for a Participant who elects not to enroll in PEMHCA is applied toward the cost of the coverage.~~

C. Unrepresented Participants

1. This Section C applies to each Participant who is an unrepresented administrative employee (“Unrepresented Participant”).
2. Each Unrepresented Participant may elect under the Plan ~~to receive a contribution towards either (a)~~ PEMHCA coverage, ~~or (b) paid vacation days~~ as follows:

- *PEMHCA coverage:* If the Unrepresented Participant elects PEMHCA coverage, the Authority will make monthly contributions under the Plan for such coverage, in the following amounts:

<u>Coverage Election</u>	<u>Authority Contributions per Calendar Month</u>
Employee only	\$428.26
Employee plus one	\$663.91
Employee plus two or more dependents	\$888.76

- ~~Paid vacation days~~No PEMHCA coverage: If the Unrepresented Participant elects ~~paid vacation days~~not to enroll in PEMHCA coverage, and makes the required attestation described in Section D, below, he or she will receive an Authority Contribution under the Plan in the amount of ~~vacation days~~ equivalent to \$200 per month, which may be applied toward the cost of coverage under the Authority's vision plan, or for paid vacation days in accordance with Section 4.3 of the Plan, or both.~~under the Authority's vacation policy.~~
3. Each Unrepresented Participant may elect to receive coverage for the Year under the ~~District's Authority's~~ vision plan. If the Participant so elects, the coverage premium will be deducted on a pre-tax basis from the Participant's Authority compensation, unless the Authority Contribution for a Participant who elects not to enroll in PEMHCA is applied toward the cost of the coverage.

D. All Participants

1. This Section D applies to all Participants.
- ~~1.2.~~ A Participant who elects not to enroll in PEMHCA coverage will receive an Authority Contribution in the amount listed under Section A, B or C above, as applicable, for the Year only if the Participant attests, in the manner required by the Authority, that the Participant and all of his or her tax dependents have other group health coverage that provides minimum value within the meaning of the Affordable Care Act. No Authority Contribution will be provided to any employee who makes such an attestation, if the Authority knows or has reason to know that the employee, or a tax dependent of the employee, does not have alternative coverage.
- ~~2.3.~~ If a Participant ~~who is not enrolled in PEMHCA coverage~~ fails to elect an option under Sections A - C above (as applicable) by the due date specified by the Administrator for each Year, the Participant will be treated as having elected ~~cash or paid vacation days, as applicable~~not to participate in the Cafeteria Plan.
- ~~3.4.~~ For each calendar month, a Participant will be entitled to benefits under this Appendix A only if he or she either completes the minimum number of hours required by the Authority's benefits policy for the month, or qualifies for coverage under the Family and Medical Leave Act for the month.
- ~~4.5.~~ Contributions made by the Authority under this Appendix for a Participant's PEMHCA coverage will be in addition to any other contributions made by the Authority directly to PEMHCA (outside the Plan) for such coverage. To the extent the required premiums for the Participant's PEMHCA coverage exceed the aggregate Authority ~~C~~ contributions for the Participant's PEMHCA coverage, the excess premiums will be deducted on a pre-tax basis from the Participant's Authority compensation, but only if the Participant provides written consent to those deductions in the time and manner required by the Administrator. If the Participant does not provide such consent, he or she will be solely responsible for paying the premiums owed on an after-tax basis. Notwithstanding this Section

D.5, a Participant who made an initial election to enroll in PEMHCA coverage in accordance with Section 4.5 of the Plan and consented to deductions associated with such election may be deemed to have consented to continue such election for subsequent Years, in accordance with Section 4.7 of the Plan.

To: Board of Directors

Date: December 7, 2016

From: Erick Cheung, Director of Finance

Reviewed by:

SUBJECT: FY 2016 Financial Audit

Summary of Issues:

The audit for FY 2016 has been completed and enclosed for your review (Attachment A). A summary of the findings:

- The type of auditor's report is unmodified (the prior terminology was "unqualified") Pages 1&2 of the Basic Financial Statements (BFS).
- No material weaknesses were identified.
- No deficiencies and significant deficiencies were identified.
- No noncompliance issues material to the financial statements noted.

The Statement of Net Position (formerly the Balance Sheet) is \$42,796,900 (Page 8 of BFS) an increase of \$13,313,827. The following is a summary of the changes in Net Position between June 30, 2016 and June 30, 2015:

- Capital Assets – Capital Assets increased \$12,296,110 to \$44,503,294 due mainly to the purchase of 29 buses during the fiscal year.
- Deferred Outflow of Resources- The increase from \$1,547,445 to \$5,052,369 represents the Authority's pension contributions for FY 2016 and future payments to CalPERS since it did not meet the discount rate during fiscal year 2015.
 - The GASB 68 information from CalPERS is as of June 30, 2015, therefore the payments made during FY 2016 for \$1,758,263 are viewed as prepayments. The prepayments will be applied to the FY 2016 pension liability to be reported on the FY 2017 Statement of Net Position.
 - GASB 68 requires the accounting of losses to be amortized over a 5 year period since investment returns for CalPERS for FY 2015 was 2.4% compared to the assumed 7.5% discount rate. As of June 30, 2015, the deferred outflow was \$3,294,106 with one-fifth being applied this fiscal year for \$823,526, and the balance will be applied over the next four fiscal years.
- Deferred Inflow of Resources- The \$5,491,701 represents excess investment income earned and changes in estimates based on actual or changes in assumptions.
 - GASB 68 requires the accounting of investment income during June 30, 2014 which had a rate of return of 17.7%, substantially more than the 7.5% assumed discount rate. The gain, similar to the loss above is amortized over a 5 year period. There is three

more years of gains to be amortized with a deferred inflow amount of \$3,963,424 with \$1,321,142 being applied this fiscal year.

- GASB 68 requires changes in actual to estimates as well as assumption changes to be amortized over the remaining life which was 4.2 years. These changes amounted to \$2,005,864 and will be amortized over 4.2 years with a deferred inflow balance of \$1,528,277 with \$477,587 being applied this fiscal year.
- The changes noted above regarding Deferred Inflows/Outflows, contributions, and payments of benefits provide a net pension liability as of June 30, 2015 (the measurement date) of \$2,634,759. (See Note 7 of BFS for more information)

Other information:

Page 40-42 of the BFS - 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 43-46 of the BFS - Letter from the auditor regarding the compliance with the requirements of the Office of Management and Budget (OMB) Circular A-133. There are no current year findings or questioned costs.

Other Letters:

- Letter to the Audit and Finance Committee regarding the responsibilities of the auditor and the scope and timing of the audit. (Attachment B)
- Letter to the Finance Committee and Board of Directors regarding agreed upon conditions designed to increase efficiency and internal controls. The auditors have no current year conditions and recommendations. (Attachment C)
- Letter to the Audit and Finance Committee and Board of Directors with regard to data reported to the Federal Transportation Administration in the annual National Transit Database (NTD) report stating that data submitted in the report conformed to FTA requirements. The auditors are required to review 27 performance procedures required by the FTA and there were no exceptions noted. (Attachment D)
- Letter to the Audit and Finance Committee reviewing TDA and STA revenue, diesel fuel and PERS benefits. The auditor had one finding that the final MTC receipts for FY 2016 for TDA and STA revenue was less than the prior year amount. (Attachment E)

Recommendation:

The Administration and Finance Committee recommends approval of the FY 2016 audit report to the Board prepared by Brown Armstrong Accountancy Corporation as submitted.

The audit report and letters are attached.

DRAFT

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

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

JUNE 30, 2016

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
 JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Report on Summarized Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2016

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

Introduction

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

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

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

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

The Financial Statements

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

New Accounting Standards Implemented

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

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

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

Statement of Cash Flows

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

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

Financial Highlights

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

Statements of Net Position

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

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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

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

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

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

Selected revenue increases (decreases) change from prior year:

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

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

Capital Assets

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

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

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

Noncurrent Liabilities

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

Overall Financial Condition

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

Contacting the Authority's Financial Management

The Authority's financial report is designed to provide the Authority's Board of Directors, management, creditors, legislative and oversight agencies, citizens, and customers with an overview of the Authority's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Erick Cheung, Director of Finance, at 2477 Arnold Industrial Way, Concord, California 94520.

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Accounting and Presentation

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

Contributed Capital/Reserved Retained Earnings

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

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

Net Position

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Accounting and Presentation (Continued)

Classification of Revenue

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

B. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

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

D. Materials and Supplies

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

E. Capital Assets

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

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

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

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

F. Deferred Outflow and Inflow of Resources

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)G. Self-Insurance Liabilities

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

H. Capital and Operating Grants

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

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

I. Defined Benefit Pension

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

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

J. Compensated Absences

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

K. Funding Sources/Programs**Transportation Development Act (TDA)**

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

State Transit Assistance (STA)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Funding Sources/Programs (Continued)

Federal Transportation Assistance

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

Measure J Funds

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

L. Date of Management’s Review

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

M. Implementation of New Accounting Pronouncements

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

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

Statement No. 74	<i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The Authority has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)N. Future Accounting Pronouncements (Continued)

Statement No. 75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans</i>	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The Authority has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.
Statement No. 77	<i>Tax Abatement Disclosures</i>	The provisions of this statement are effective for reporting periods after December 15, 2015. The Authority has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.
Statement No. 78	<i>Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2015. The Authority has not determined the impact, if any, upon implementation of this statement.
Statement No. 79	<i>Certain Investment Pools and Pool Participants</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2015. The Authority has not determined the impact, if any, upon implementation of this statement.
Statement No. 80	<i>Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The Authority has determined this statement will not apply.
Statement No. 81	<i>Irrevocable Split-Interest Agreements</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2016. The Authority has not determined the impact, if any, upon implementation of this statement.
Statement No. 82	<i>Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2016 except for the requirements of paragraph 7 in circumstances in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority has not determined the impact, if any, upon implementation of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Reclassifications

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

Cash on Hand and Cash in Banks

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

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

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment in State Investment Pool

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

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

Disclosures Relating to Interest Rate Risk

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

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

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk

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

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

Concentration of Credit Risk

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

NOTE 3 – CAPITAL GRANTS

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

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

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

NOTE 4 – OPERATING GRANTS

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

NOTE 4 – OPERATING GRANTS (Continued)

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

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

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity at June 30 is shown below:

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

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

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

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

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

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

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN

A. General Information about the Pension Plan

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

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

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

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

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

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

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

B. Net Pension Liability

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

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

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

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

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

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

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

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

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

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)B. Net Pension Liability (Continued)

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

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

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

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

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

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the net pension liability are as follows:

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

* Net of administrative expenses.

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

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

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

NOTE 7 – EMPLOYEES’ RETIREMENT PENSION PLAN (Continued)

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

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

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

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

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

E. Payable to the Pension Plan

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

NOTE 8 – RISK MANAGEMENT

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

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

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

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

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

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

NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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

NOTE 10 – CASH RESERVE FUNDS

The Authority has designated two cash reserve funds as follows:

Safe Harbor Lease Reserve

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

Self-Insurance Reserve

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

NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

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

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

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

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

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

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

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

Funding Policy, Funded Status, and Funding Progress

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

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

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

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

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions (Continued)

**Table 1
Actuarial Methods and Assumptions**

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

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

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

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

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

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

Actuarial Methods and Assumptions (Continued)

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

Retiree Health Savings Plan Trust

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

NOTE 12 – CAPITAL LEASE

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

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

Future minimum lease payments are as follows:

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

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

NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

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

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

NOTE 14 – TRANSPORTATION DEVELOPMENT ACT COMPLIANCE REQUIREMENTS

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

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

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

NOTE 15 – EMPLOYEE BENEFITS – DEFERRED COMPENSATION PLAN

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Notes to Schedule:

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

** Net investment income is net of administrative expenses.

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

Changes in assumptions: There were no changes in assumptions

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

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

Notes to Schedule:

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

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

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

Valuation date: June 30, 2012

Methods and assumptions used to determine contribution rates:

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

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

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

SUPPLEMENTARY SCHEDULE AND OTHER REPORTS

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

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

See accompanying notes to schedule of expenditures of federal awards.

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

NOTE 1 – GENERAL

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

NOTE 2 – BASIS OF ACCOUNTING

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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests of the Authority’s compliance with certain provisions of the Transportation Development Act (TDA) and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by Section 6667 of Title 21, Chapter 3, Subchapter 2, Article 5.5 of the California Code of Regulations. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and the TDA.

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

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

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

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

Purpose of this Report

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

DRAFT

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2016

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2016

FINDINGS AND QUESTIONED COSTS SECTION

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

Section I – Summary of Auditor’s Results

A. Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

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

Noncompliance material to financial statements noted? No

B. Federal Awards

Internal control over major programs:

Material weaknesses identified? No

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

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

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

C. Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

CFDA Number 20.507	FTA Capital and Operating Assistance Grants
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Audit Findings and Questioned Costs

None.

Section III – Federal Awards Findings and Questioned Costs

None.

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

None.

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

We have audited the financial statements of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2016. 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 the Uniform Guidance, 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 20, 2016. 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. As described in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statements No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No 67 and No. 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and local Governments*. 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 Authority's financial statements were:

- **Estimated Useful Lives of Capital Assets** – Management estimates the lives of capital assets for purposes of calculating annual depreciation expense to be reported in the Authority's Statements of Revenues, Expenses, and Changes in Net Position. 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 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.

- Net Pension Liability and Post-employment Benefits Other than Pension Benefits Liability – These are 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 the accounting estimates used in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of capital assets, employees' retirement pension plan and the net pension liability, self-insurance liability, and the liability for post-employment benefits other than pension benefits in Notes 5, 7, 8, and 11, respectively, of the financial statements.

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 clearly trivial, and communicate them to the appropriate level of management. 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 taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 _____, 2016.

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

We applied certain limited procedures to the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions, and Schedule of Funding Progress – Post-Employment Benefits Other Than Pension Benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Bakersfield, California
_____, 2016

Central Contra Costa Transit Authority
SUMMARY OF UNADJUSTED AUDIT DIFFERENCE
6/30/2016

	Increase in Fiduciary Net Position
Known Audit Difference:	
MTC Accrual to adjust estimate to actual	\$ 120,000
Total Unadjusted Audit Difference	<u>\$ 120,000</u>

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

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

In planning and performing our audit of the financial statements of Central Contra Costa Transit Authority (the Authority), we considered its internal control structure over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

We did not identify any recommendations in the current year. We are providing the disposition of our prior year recommendations.

Current Year Conditions and Recommendations

None in current year.

Status of Prior Year Conditions and Recommendations

Agreed Upon Condition 1 – Paratransit Cash Receipts

We tested a sample of 40 cash receipts, including a sample of Paratransit cash receipts, which are managed by a third party company, Link. We noted 6 of the 8 Paratransit cash receipts were missing a second signature on the reconciliation indicating review and approval. These reconciliations are provided to the Authority; however, the Authority has not questioned the missing second signature. In discussions with Link management, there is a policy requiring reconciliations be signed by a second individual, however, the policy was not being followed.

Recommendation

We recommend the Authority obtain an understanding of the controls Link has in place relating to sales, collections, counting, and reconciliations of Paratransit cash receipts. We also recommend the Authority have more oversight and review these controls periodically to ensure they are being followed.

Management Response

Prior to the audit recommendation, the Authority instituted the following to tighten controls over the services provided by Link, the third party service provider:

- A camera was installed with recording capabilities.
- A safe was purchased, which has significantly reduced the risk of unauthorized access to cash.
- The Authority implemented a process whereby accounting staff receive the farebox cash count sheets with a copy of the deposit slip stapled to trace to the bank deposits and to the monthly reconciliation sheet.
- The accounting manager reviews the monthly reconciliation sheet to trace to the bank statement and also on a random basis adds up a number of the daily cash sheets to make sure they tie to the reconciliation sheet and the bank statement.

To further strengthen controls, the Authority will implement a process to review the procedures of the third party service provider periodically as suggested in the audit recommendation.

Current Year Status

The Paratransit third party service provider hired a new manager. In addition, Authority staff obtained an understanding of the Paratransit facility and implemented a process to perform a spot check of the reconciliation performed by the third party service provider and will inspect the supporting schedules to ensure they are complete and accurate.

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

Bakersfield, California
_____, 2016

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES
FEDERAL TRANSIT ADMINISTRATION
FOR THE YEAR ENDED
JUNE 30, 2016

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Audit and Finance Committee and
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 Federal Funding Allocation Statistics Form (FFA – 10) of the Central Contra Costa Transit Authority's (the Authority) annual National Transit Database (NTD) report:

1. 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.
2. A system is in place to record data on a continuing basis, and the data gathering is an ongoing effort.
3. Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data is fully documented and securely stored.
4. A system of internal controls is in place to ensure the data collection process is accurate and that the recording system and reported comments are not altered. Documents are reviewed and signed by a supervisor, as required.
5. The data collection methods are those suggested by the FTA or meet the FTA requirements.
6. The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
7. Data is to be consistent with prior reporting periods and other facts known about the Authority's operations.

We have performed the procedures to the FFA – 10 and are enumerated in Attachment A. Such procedures, which were agreed to by the Authority and specified by the FTA in the Declarations section of the *2016 NTD Policy Manual*, are solely to assist you with evaluating whether the Authority complied with the standards as described in the first paragraph of this report for the fiscal year ended June 30, 2016, and that the information 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 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 NTD Policy Manual*.

The Authority's management is responsible for the compliance with those standards. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment A either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on compliance. 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 management of the Authority and the FTA and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2016

**CENTRAL CONTRA COSTA TRANSIT AUTHORITY
NATIONAL TRANSIT DATABASE REPORTING
ATTACHMENT A – AGREED UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2016**

The procedures described below, which are referenced in order to correspond to the *2016 National Transit Database (NTD) Policy Manual* procedures, were applied separately to each of the information systems used to develop the reported actual vehicle revenue miles, passenger miles traveled, and operating expenses of the Central Contra Costa Transit Authority (the Authority) for the year ended June 30, 2016, for the *Motor Bus Service – Directly Operated (MBDO)* and *Demand Response – Purchased Transportation (DRPT)*.

Our results and findings are as follows:

- A. Obtain and read a copy of written system procedures for reporting and maintaining data in accordance with NTD requirements and definitions set forth in 49 Code of Federal Regulations (CFR) Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 NTD Policy Manual*. If there are no procedures available, discuss the procedures with the personnel assigned responsibility for supervising the NTD data preparation and maintenance.

Result: We discussed 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*, dated January 15, 1993, and as presented in the *2016 NTD Policy Manual* with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data. No exceptions were noted as a result of applying this procedure.

- B. Discuss the procedures (written or informal) with the personnel assigned responsibility for supervising the preparation and maintenance of NTD data to determine:

- The extent to which the transit agency followed the procedures on a continuous basis, and
- Whether these transit personnel believe such procedures result in accumulation and reporting of data consistent with NTD definitions and requirements set forth in 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and as presented in the *2016 NTD Policy Manual*.

Result: We discussed with various personnel the procedures noted in Procedure “A” above to determine the Authority continuously follows the procedures on an ongoing basis and that the procedures result in the accumulation and reporting of data consistent with the NTD requirements and definitions as set forth in the *USOA and Records and Reporting System; Final Rule*, and specified in the 49 CFR Part 630, *Federal Register*, dated January 15, 1993, and the most recent *2016 NTD Policy Manual*. No exceptions were noted as a result of applying this procedure.

- C. Ask these same personnel about the retention policy that the transit agency follows as to source documents supporting NTD data reported on the Federal Funding Allocation Statistics Form (FFA – 10).

Result: We noted that the retention policy that is followed by the Authority regarding source documents supporting the FFA – 10 data reported are retained for a minimum of three years by the Authority. In addition, we noted that the Authority maintains the computer files more than three years depending on the need of historical data. No exceptions were noted as a result of applying this procedure.

- D. Based on a description of the transit agency’s procedures from Procedures “A” and “B” above, identify all the source documents that the transit agency must retain for a minimum of three years. For each type of source document, select three months out of the year and determine whether the document exists for each of these periods.

Result: We identified the source documents that are to be retained by the Authority for a minimum of three years. We randomly selected three months out of the fiscal year ended June 30, 2016, August 2015, December 2015, and May 2016, and verified that each type of source document existed for each of these periods. No exceptions were noted as a result of applying this procedure.

- E. Discuss the system of internal controls. Inquire whether separate individuals (independent of the individuals preparing source documents and posting data summaries) review the source documents and data summaries for completeness, accuracy, and reasonableness and how often these individuals perform such reviews.

Result: We discussed the system of internal control with personnel responsible for supervising and maintaining the NTD data. The method is mostly automated with a few manual procedures. We determined that individuals preparing source documents were independent of individuals posting data summaries, reviewing the source documents, and summarizing data for completeness, accuracy, and reasonableness. No exceptions were noted as a result of applying this procedure.

- F. Select a random sample of the source documents and determine whether supervisors' signatures are present as required by the system of internal controls. If supervisors' signatures are not required, inquire how personnel document supervisors' reviews.

Result: As noted above, the method is mostly automated. As such, there are no physical signatures documenting the supervisors' review and approval of the source documents. The software utilized automatically accumulates the data from the Clever Devices Automatic Passenger Counter on each vehicle. Monthly reports are prepared for the Board of Directors and are reviewed by management electronically, as allowed by the *2016 NTD Policy Manual*. Approval is given by authorizing the posting of the monthly data to NTD. No exceptions were noted as a result of applying this procedure.

- G. Obtain the worksheets used to prepare the final data that the transit agency transcribes onto the Federal Funding Allocation Statistics Form. Compare the periodic data included on the worksheets to the periodic summaries prepared by the transit agency. Test the arithmetical accuracy of the summaries.

Result: We obtained from the Authority's year-end cumulative reports that are used to prepare the FFA – 10. We compared the prior year data to the current year data and investigated any changes over 10%. We also compared from the source documents to the year-end cumulative report (Form S-10). We also recalculated summarizations of supporting documentation which were tested in (D) above. No exceptions were noted as a result of applying this procedure.

- H. Discuss the procedure for accumulating and recording passenger miles traveled (PMT) data in accordance with NTD requirements with transit agency staff. Inquire whether the procedure is one of the methods specifically approved in the *2016 NTD Policy Manual*.

Result: During fiscal year 2016, the Authority used the procedure of an estimate of passenger miles traveled (PMT) based on statistical sampling, meeting FTA's 95% confidence and $\pm 10\%$ precision requirements based on a qualified statistician's determined procedure. No exceptions were noted as a result of applying this procedure.

- I. Discuss with transit agency staff (the auditor may wish to list the titles of the persons interviewed) the transit agency's eligibility to conduct statistical sampling for PMT data every third year. Determine whether the transit agency meets NTD criteria that allow transit agencies to conduct statistical samples for accumulating PMT data every third year rather than annually. Specifically:

- According to the 2010 Census, the public transit agency serves an urbanized area (UZA) with a population less than 500,000.
- The public transit agency directly operates fewer than 100 revenue vehicles in all modes in annual maximum revenue service (VOMS) (in any size UZA).

- Service purchased from a seller is included in the transit agency's NTD report.
- For transit agencies that meet one of the above criteria, review the NTD documentation for the most recent mandatory sampling year (2016) and determine that statistical sampling was conducted and meets the 95% confidence and $\pm 10\%$ precision requirements.
- Determine how the transit agency estimated annual PMT for the current report year.

Result: The Authority uses an alternative sampling technique, which is a statistically valid technique, other than 100 percent count, which was certified by a qualified statistician in 2009 when the Authority was testing the method to ensure it met the mandated accuracy and precision levels. We reviewed the certification of the statistician and determined that the individual was qualified and had the proper credentials. We also ensured that the statistician certified that the Authority's alternative technique used the minimal 95% confidence and +10 precision requirements for estimating boarding and passenger miles. We also obtained an understanding of how the Authority collects data, software utilized, and the estimation process. No exceptions were noted as a result of applying this procedure.

- J. Obtain a description of the sampling procedure for estimation of PMT data used by the transit agency. Obtain a copy of the transit agency's working papers or methodology used to select the actual sample of runs for recording PMT data. If the transit agency used average trip length, determine that the universe of runs was the sampling frame. Determine that the methodology used to select specific runs from the universe resulted in a random selection of runs. If the transit agency missed a selected sample run, determine that a replacement sample run was random. Determine that the transit agency followed the stated sampling procedure.

Result: We obtained a description of the sampling procedure for estimation of PMT data used by the Authority. We obtained a copy of the Authority's working papers and methodology used to select the actual sample of runs for recording PMT data. We determined that the Authority followed the stated sampling procedure. No exceptions were noted as a result of applying this procedure.

- K. Select a random sample of the source documents for accumulating PMT data and determine that the data are complete (all required data are recorded) and that the computations are accurate. Select a random sample of the accumulation periods and recompute the accumulations for each of the selected periods. List the accumulations periods that were tested. Test the arithmetical accuracy of the summary.

Result: We randomly selected three months, August 2015, December 2015, and May 2016. We obtained the source documents for accumulating PMT data, determined they were complete, and recomputed the accumulation periods without exception. In addition, we tested a sample of manual routes that are not tracked by the Ridecheck software. We randomly selected trip cards for the months August 2015, December 2015, and May 2016. No exceptions were noted as a result of applying this procedure.

- L. Discuss the procedures for systematic exclusion of charter, school bus, and other ineligible vehicle miles from the calculation of actual vehicle revenue miles with transit agency staff and determine that they follow the stated procedures. Select a random sample of the source documents used to record charter and school bus mileage and test the arithmetical accuracy of the computations.

Result: We 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 a charter or school bus service.

- M. For actual vehicle revenue mile (VRM) data, document the collection and recording methodology and determine that deadhead miles are systematically excluded from the computation. This is accomplished as follows:

- If actual VRMs are calculated from schedules, document the procedures used to subtract missed trips. Select a random sample of the days that service is operated, and recompute the daily total of missed trips and missed VRMs. Test the arithmetical accuracy of the summary.
- If actual VRMs are calculated from hubodometers, document the procedures used to calculate and subtract deadhead mileage. Select a random sample of the hubodometer readings and determine that the stated procedures for hubodometer deadhead mileage adjustments are applied as prescribed. Test the arithmetical accuracy of the summary of intermediate accumulations.
- If actual VRMs are calculated from vehicle logs, select random samples of the vehicle logs and determine that the deadhead mileage has been correctly computed in accordance with FTA definitions.

Result: We discussed with personnel the procedures for the collection and recording of VRM data and noted that VRMs are calculated upon inception of the route based on the distance between the first stop and last stop, including deadhead miles. We noted that the scheduled deadhead miles are systematically excluded to calculate VRMs. Furthermore, daily trip sheets are used to subtract missed trips and unscheduled deadhead miles. We also discussed the accumulation of VRMs for Demand Response Purchased Transportation (DRPT). We noted that VRMs for DRPT are accumulated and reported by the respective contractors through trip sheets and monthly ridership worksheets by route. These schedules are submitted by the contractors and are reviewed for clerical accuracy by Authority personnel. We recalculated the VRMs and agreed the total VRMs to the Authority's Month-End Ridership Summary report for a sample of trips in the months of August 2015, December 2015, and May 2016. No exceptions were noted as a result of applying this procedure.

- N. For rail modes, review the recording and accumulation sheets for actual VRMs and determine that locomotive miles are not included in the computation.

Result: We inquired of personnel the procedures in which the Authority accumulates actual VRMs for rail modes. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- O. If fixed guideway or High Intensity Bus directional route miles (FG or HIB DRM) are reported, interview the person responsible for maintaining and reporting NTD data whether the operations meet the FTA definition of fixed guideway (FG) or High Intensity Bus (HIB) in that the service is:
- Rail, trolleybus (TB), ferryboat (FB), or aerial tramway (TR); or
 - Bus (Mode: Bus (MB), Commuter Bus (CB), or Bus Rapid Transit (RB)) service operating over exclusive or controlled access rights-of-way (ROW); and
 - Access is restricted;
 - Legitimate need for restricted access is demonstrated by peak period level of service D or worse on a parallel adjacent highway;
 - Restricted access is enforced for freeways; priority lanes used by other high occupancy vehicles (HOV) (i.e., vanpools (VP), carpools) must demonstrate safe operation; and
 - High Occupancy/Toll (HO/T) lanes meet Federal Highway Administration (FHWA) requirements for traffic flow and use of toll revenues. The transit agency has provided the NTD a copy of the State's certification to the U.S. Secretary of Transportation stating that it has established a program for monitoring, assessing, and reporting on the operation of the HOV facility with HO/T lanes.

Result: We inquired of personnel the procedures in which the Authority reports VRMs, passenger miles, and operating expenses for fixed guideways segments. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- P. Discuss the measurement of FG and HIB DRM with the person reporting NTD data and determine that the he or she computed mileage in accordance with the FTA definitions of FG/HIB and DRM. Inquire of any service changes during the year that resulted in an increase or decrease in DRMs. If a service change resulted in a change in overall DRMs, recompute the average monthly DRMs, and reconcile the total to the FG/HIB DRM reported on the Federal Funding Allocation Statistics Form.

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway direction route miles (DRMs). We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- Q. Inquire if any temporary interruptions in transit service occurred during the report year. If these interruptions were due to maintenance or rehabilitation improvements to a FG segment(s), the following apply:

- Report DRMs for the segment(s) for the entire report year if the interruption is less than 12 months in duration. Report the months of operation on the FG/HIB segments form as 12. The transit agency should document the interruption.
- If the improvements cause a service interruption on the FG/HIB DRMs lasting more than 12 months, the transit agency should contact its NTD validation analyst to discuss. The FTA will make a determination on how to report the DRMs.

Result: We inquired of personnel the procedures in which the Authority measures fixed guideway directional route miles through the use of maps or retracing routes. We noted that the Authority does not provide such services. Therefore, this procedure was not applicable.

- R. Measure FG/HIB DRM from maps or by retracing route.

Result: We inquired of personnel whether other public transit agencies operate service over the same fixed guideway (FG) as the Authority. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- S. Discuss whether other public transit agencies operate service over the same FG/HIB as the transit agency. If yes, determine that the transit agency coordinated with the other transit agency (or agencies) such that the DRMs for the segment of FG/HIB are reported only once to the NTD on the Federal Funding Allocation Form. Each transit agency should report the actual VRM, PMT, and operating expense (OE) for the service operated over the same FG/HIB.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- T. Review the FG/HIB segments form. Discuss the Agency Revenue Service Start Date for any segments added in the 2016 report year with the persons reporting NTD data. This is the commencement date of revenue service for each FG/HIB segment. Determine that the date reported is the date that the agency began revenue service. This may be later than the Original Date of Revenue Service if the transit agency is not the original operator. If a segment was added for the 2016 report year, the Agency Revenue Service Date must occur within the transit agency's 2016 fiscal year. Segments are grouped by like characteristics. Note that for apportionment purposes, under the State of Good Repair (§5337) and Bus and Bus Facilities (§5339) programs, the 7-year age requirement for fixed guideway/High Intensity Bus segments is based on the report year when the segment is first reported by any NTD transit agency. This pertains to segments reported for the first time in the current report year. Even if a transit agency can document an Agency Revenue Service Start Date prior to the current NTD report year, the FTA will only consider segments continuously reported to the NTD.

Result: We inquired of personnel the procedures for revenue service for each fixed guideway segment. We noted that the Authority does not provide such service. Therefore, this procedure was not applicable.

- U. Compare operating expenses with audited financial data after reconciling items are removed.

Result: We reconciled operating expenses presented to the audited financial statements. No exceptions were noted as a result of applying this procedure.

- V. If the transit agency purchases transportation services, interview the personnel reporting the NTD data on the amount of purchased transportation (PT)-generated fare revenues. The PT fare revenues should equal the amount reported on the Contractual Relationship form.

Result: We compared the data reported on the Contractual Relationship (Form B-30) to the purchased transportation fare revenues. No exceptions were noted as a result of applying this procedure.

- W. If the transit agency's report contains data for PT services and assurances of the data for those services are not included, obtain a copy of the Independent Auditor Statement (IAS-FFA) regarding data for the PT service. Attach a copy of the statement to the report. Note as an exception if the transit agency does not have an Independent Auditor Statement for the PT data.

Result: This procedure is not applicable as assurances over the PT services data are included in Procedures "A" through "V" above.

- X. If the transit agency purchases transportation services, obtain a copy of the PT contract and determine that the contract specifies the public transportation services to be provided; the monetary consideration obligated by the transit agency or governmental unit contracting for the service; the period covered by the contract (and that this period overlaps the entire, or a portion of, the period covered by the transit agency's NTD report); and is signed by representatives of both parties to the contract. Interview the person responsible for retention of the executed contract, and determine that copies of the contracts are retained for three years.

Result: We obtained copies of the purchased transportation contracts and noted that all contracts specified the specific mass transportation services to be provided; specified the monetary consideration obligated by the Authority; specified the period covered by the contract and that this period is the same as, or a portion of, the period covered by the Authority's NTD report; and signed by representatives of both parties to the contract. We determined that executed contracts are maintained for a minimum of three years. No exceptions were noted as a result of applying this procedure.

- Y. If the transit agency provides service in more than one UZA, or between an UZA and a non-UZA, inquire of the procedures for allocation of statistics between UZAs and non-UZAs. Obtain and review the FG segment worksheets, route maps, and urbanized area boundaries used for allocating the statistics, and determine that the stated procedure is followed and that the computations are correct.

Result: We inquired of personnel whether the Authority provides services in more than one UZA, or between a UZA and a non-urbanized area (non-UZA). This procedure is not applicable as the Authority does not provide services in more than one UZA.

- Z. Compare the data reported on the Federal Funding Allocation Statistics Form to data from the prior report year and calculate the percentage change from the prior year to the current year. For actual VRM, PMT, or OE data that have increased or decreased by more than 10%, or FG DRM data that have increased or decreased, interview transit agency management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period.

Result: We compared the data reported on the FFA - 10 to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. For VRM, passenger mile, or operating expense data that have increased or decreased by more than 10 percent, we inquired with the Authority management regarding the specifics of operations that led to the increases or decreases in the data relative to the prior reporting period. No exceptions were noted as a result of applying this procedure.

- AA. The auditor should document the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers should be available for FTA review for a minimum of three years following the NTD report year. The auditor may perform additional procedures, which are agreed to by the auditor and the transit agency, if desired. The auditor should clearly identify the additional procedures performed in a separate attachment to the statement as procedures that were agreed to by the transit agency and the auditor but not by the FTA.

Result: We have documented the specific procedures followed, documents reviewed, and tests performed in the work papers. The work papers are available for FTA review for a minimum of three years following the NTD report year. No exceptions were noted as a result of applying this procedure.

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the Central Contra Costa Transit Authority (the Authority), solely to assist you with respect to reviewing the State Transit Assistance (STA) and Transportation Development Act (TDA) funds allocated by the Metropolitan Transportation Commission (MTC), to review the cost of diesel fuel purchased by the Authority, and to review the California Public Employees' Retirement System (PERS) benefits paid by the Authority for the fiscal year ended June 30, 2016, and compare to the prior fiscal year ended June 30, 2015. Management is responsible for the Authority's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

- 1) Obtained the Authority's final amounts of TDA and STA funds received according to MTC for the fiscal years ended June 30, 2016 and 2015. Verified that the MTC allocation for fiscal year 2016 was not reduced from the allocation in 2015.

Finding: The 2016 MTC final TDA allocation was reduced from the prior year allocation. Refer to the attached schedule.

- 2) Obtained the cost of the diesel fuel purchased by the Authority for the fiscal years ended June 30, 2016 and 2015. Verified that the average cost of diesel fuel purchased in fiscal year 2016 did not increase by \$500,000 over prior fiscal year or \$0.75 per gallon when compared to the average cost in fiscal year 2015.

Result: The 2016 diesel fuel purchased by the Authority for the fiscal year-end June 30, 2016, did not increase by \$500,000 over prior year. Refer to the attached schedule.

- 3) Obtained a schedule of the PERS benefits (other than Other Post Employment Benefits (OPEB)) paid by the Authority for fiscal years ended June 30, 2016 and 2015. Verified that the increase for fiscal year 2016 over fiscal year 2015 did not exceed \$1,000,000.

Result: The PERS benefits (other than OPEB) paid by the Authority for fiscal year-end June 30, 2016, did not exceed \$1,000,000. Refer to the attached schedule.

DRAFT

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's audit and finance committee and management and is not intended to be, and should not be, used by anyone other than those specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November XX, 2016

Criteria	Description of Criteria	Revenue	2016	2015	\$ Change	
(a)	Final amount of STA or TDA funds per MTC - must not be reduced from the prior year.	TDA 4.0	\$ 16,762,552	\$ 16,154,561		
		TDA 4.5	<u>768,070</u>	<u>738,908</u>		
		Total TDA		<u>17,530,622</u>	<u>16,893,469</u>	<u>637,153</u>
		STA Pop-FR		1,597,874	2,117,857	
		STA-Regl Paratransit STA Rev based		<u>255,592</u> <u>484,822</u>	<u>338,732</u> <u>634,239</u>	
	Total STA		<u>2,338,288</u>	<u>3,090,828</u>	<u>(752,540)</u>	
	Total STA and TDA		<u><u>\$ 19,868,910</u></u>	<u><u>\$ 19,984,297</u></u>	<u><u>\$ (115,387)</u></u>	
(b)	Cost of diesel fuel purchased by the Authority (increase is not greater than \$500,000 from prior year). This increase will occur if the average cost of diesel fuel purchased during fiscal year 2016 increased by \$0.75 per gallon when compared to the average in fiscal year 2015.		<u>\$ 1,087,733</u>	<u>\$ 1,664,101</u>	<u>\$ (576,368)</u>	
(c)	PERS benefits paid by the Authority, other than OPEB, did not increase by over \$1,000,000 from the prior year.		<u>\$ 1,760,849</u>	<u>\$ 1,553,460</u>	<u>\$ 207,389</u>	

County Connection

INTER OFFICE MEMO

To: Administration & Finance Committee
From: Erick Cheung, Director of Finance

Date: December 7, 2016

SUBJECT: Income Statements for the Three Months Ended September 30, 2016

The attached unaudited County Connection Income Statements for the first three months of FY 2017 are presented for your review. The combined expenses of \$6,558,554 for Fixed Route and Paratransit, (Schedule 1), are **11.2% under the budget (\$997,045)**. The expense categories with the most significant variances are:

Wages	\$(169,566)	(5.2)%	Operators' wages are lower by \$84K and Other wages are lower by \$85K.
Fringe Benefits	\$(101,497)	(4.3)%	Fringe Benefits are under due to workers comp (\$48K); and various other categories are under.
Services	\$(141,155)	(26.0)%	Services are under mainly due to lower service repairs (\$56K) and IT contracts (\$34K).
Materials & Supplies	\$(162,536)	(23.9)%	Materials and supplies are lower due to lower diesel fuel costs (\$77K) and fewer repair parts expenses (\$42K).
Contingency	\$(200,000)	(100.0)%	Not needed based on expenses being under budget.

Fixed route and Paratransit revenues and expenses are presented on **Schedules 2 and 3**. Actual expenses are compared to the year-to-date approved budget. Fixed route expenses are -12.2% under budget and Paratransit expenses are -6.1% under budget.

The combined revenues are also under budget. The most significant variances:

Passenger fares/special fares	\$(52,901)	(5.3)%	Fixed route passenger fares/special fares are (\$31K) lower than budget and Paratransit fares are (\$21.5K) lower than budget. Compared to the same period in the prior year, Fixed route is \$11K higher and Paratransit is (\$17K) lower.
TDA revenue earned	\$(681,670)	(15.0)%	TDA revenue is lower due to lower than expected expenses.
Other operating assistance	\$(219,867)	(38.5)%	LCTOP funds received award of \$615K with \$308K for Martinez Shuttle and \$308K for Electric Trolley Capital. Budget assumed \$573K received for operations.

Fixed Route Operator Wages (Schedule 4)

Schedule 4 compares various components of operator wages with the budget.

- Platform (work time) is -3.8% under budget.
- Overtime is -20.7% under budget.
- Training is 50.4% over budget.
- Overall wages for operators are -3.1% under budget.

Statistics (Schedule 6)

Schedule 6 provides selected statistical information for the current year compared to the last two years:

Fixed route:

- Passenger fares/special fares are 1.8% more than FY 2016 and -4.7% less than FY 2015.
- The farebox recovery ratio is higher compared to FY 2016 and FY 2015. The ratio is 16.1% in FY 2017; 15.9% in FY 2016 and 15.6% in FY 2015.
- Operating expenses are 0.1% more than in FY 2016 and -4.4% less than in FY 2015.
- Fixed route revenue hours are 1.9% more than FY 2016 and 3.2% more than FY 2015.
- The cost per revenue hour has decreased -1.8% compared to FY 2016 and -7.4% compared to FY 2015.
- Passengers have decreased -2.0% compared to FY 2016 and increased 0.9% compared to FY 2015.
- The cost per passenger has increased 2.1% compared to FY 2016 and decreased -5.3% compared to FY 2015.
- Passengers per revenue hour has decreased -3.8% compared to FY 2016 and -2.3% compared to FY 2015.

Paratransit:

- Passenger fares have decreased -12.5% compared to FY 2016 and -13.1% compared to FY 2015.
- The farebox ratio is less than FY 2016 and FY 2015. The ratio is 9.2% in FY 2017; 10.4% in FY 2016; and 10.8% in FY 2015.
- Expenses have decreased -0.4% compared to FY 2016 and increased 2.3% compared to FY 2015.
- Revenue hours are -7.0% less than FY 2016 and -5.6% in FY 2015.
- Passengers have decreased -3.6% compared to FY 2016 and -4.3% compared to FY 2015.
- The cost per passenger has increased 3.3% since FY 2016 and 7% compared to FY 2015.
- Paratransit passengers per revenue hour have increased 6.9% compared to FY 2016 and 1.3% compared to FY 2015.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

FY 2017 Year to Date Comparison of Actual vs Budget Combined Fixed Route and Paratransit Income Statement For the Three Months Ended September 30, 2016

	Actual	Budget	Variance	% Variance
Revenues				
Passenger fares	\$ 828,403	\$ 874,825	\$ (46,422)	-5.3%
Special fares	345,396	351,875	(6,479)	-1.8%
	1,173,799	1,226,700	(52,901)	-4.3%
Advertising	145,000	152,281	(7,281)	-4.8%
Safe Harbor lease	2,207	1,020	1,187	116.4%
Other revenue	24,631	25,155	(524)	-2.1%
Federal operating	348,988	337,500	11,488	3.4%
TDA earned revenue	3,832,660	4,539,823	(707,163)	-15.6%
STA revenue	529,757	529,757	-	0.0%
Measure J	1,472,876	1,494,860	(21,984)	-1.5%
Other operating assistance	351,679	571,546	(219,867)	-38.5%
	6,707,798	7,651,942	(944,144)	-12.3%
Total Revenue	\$ 7,881,597	\$ 8,878,642	\$ (997,045)	-11.2%
Expenses				
Wages- Operators	\$ 1,776,217	\$ 1,860,975	\$ (84,758)	-4.6%
Wages-Other	1,320,396	1,405,204	(84,808)	-6.0%
	3,096,613	3,266,179	(169,566)	-5.2%
Fringe Benefits	2,232,878	2,334,375	(101,497)	-4.3%
Services	401,183	542,338	(141,155)	-26.0%
Materials & Supplies	516,327	678,863	(162,536)	-23.9%
Utilities	68,796	111,600	(42,804)	-38.4%
Insurance	174,923	177,836	(2,913)	-1.6%
Taxes	27,291	71,475	(44,184)	-61.8%
Leases and Rentals	10,354	11,500	(1,146)	-10.0%
Miscellaneous	20,384	50,115	(29,731)	-59.3%
Special Trip Services	1,332,848	1,434,360	(101,512)	-7.1%
Operations	7,881,597	8,678,642	(797,045)	-9.2%
Contingency Reserve	-	200,000	(200,000)	-100.0%
Total Expenses	\$ 7,881,597	\$ 8,878,642	\$ (997,045)	-11.2%
Net Income (Loss)	\$ -	\$ -	\$ -	
Revenue Hours	74,079	72,992	1,087	1.5%
Cost per Rev Hr	\$ 106.25	\$ 121.48	\$ (15.23)	-12.5%
Passengers	933,325	954,777	(21,452)	-2.2%
Cost per Passenger	\$ 8.44	\$ 9.30	\$ (0.85)	-9.2%
Farebox ratio	14.9%	13.8%	1.1%	7.8%
<i>(fares,spec fares/Oper exp-w/o contingency-leases)</i>				

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
FY 2017 Year to Date Comparison of Actual vs Budget
Fixed Route Income Statement
For the Three Months Ended September 30, 2016

	Actual	Budget	Variance	% Variance
Revenues				
Passenger fares	\$ 707,168	\$ 732,025	\$ (24,857)	-3.4%
Special fares	345,396	351,875	(6,479)	-1.8%
	1,052,564	1,083,900	(31,336)	-2.9%
Advertising	145,000	152,281	(7,281)	-4.8%
Safe Harbor lease	2,207	1,020	1,187	116.4%
Other revenue	24,631	25,130	(499)	-2.0%
TDA earned revenue	3,533,905	4,188,188	(654,283)	-15.6%
STA revenue	364,220	364,220	-	0.0%
Measure J	1,118,264	1,118,264	-	0.0%
Other operating assistance	317,763	536,546	(218,783)	-40.8%
	5,505,990	6,385,649	(879,659)	-13.8%
Total Revenue	\$ 6,558,554	\$ 7,469,549	\$ (910,995)	-12.2%
Expenses				
Wages- Operators	\$ 1,776,217	\$ 1,860,975	\$ (84,758)	-4.6%
Wages-Other	\$ 1,306,350	1,380,582	(74,232)	-5.4%
	3,082,567	3,241,557	(158,990)	-4.9%
Fringe Benefits	\$ 2,222,424	2,320,454	(98,030)	-4.2%
Services	\$ 385,795	538,313	(152,518)	-28.3%
Materials & Supplies	\$ 515,793	678,013	(162,220)	-23.9%
Utilities	\$ 63,311	105,250	(41,939)	-39.8%
Insurance	\$ 174,923	177,836	(2,913)	-1.6%
Taxes	\$ 27,291	71,375	(44,084)	-61.8%
Leases and Rentals	\$ 10,354	11,500	(1,146)	-10.0%
Miscellaneous	\$ 20,384	49,890	(29,506)	-59.1%
Purchased Transportation	\$ 55,712	75,360	(19,648)	-26.1%
Operations	6,558,554	7,269,549	(710,995)	-9.8%
Contingency Reserve	-	200,000	(200,000)	
Total Expenses	\$ 6,558,554	\$ 7,469,549	\$ (910,995)	-12.2%
Net Income (Loss)	\$ -	\$ -	\$ -	
Revenue Hours	56,320	54,384	1,936	3.6%
Cost per Rev Hr	\$ 116.27	\$ 137.14	\$ (20.87)	-15.2%
Passengers	898,009	915,898	(17,889)	-2.0%
Cost per Passenger	\$ 7.30	\$ 8.16	\$ (0.85)	-10.4%
Passengers per Rev Hr	15.94	16.84	(0.90)	-5.3%
Farebox recovery ratio	16.1%	14.9%	1.1%	7.6%

(fares,spec fares/Oper exp-w/o contingency-leases)

Schedule 2-Fixed Route

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
Paratransit Income Statement
FY 2017 Year to Date Comparison of Actual vs Budget
For the Three Months Ended September 30, 2016

	Actual	Budget	Variance	% Variance
Revenues				
Passenger fares	\$ 121,235	\$ 142,800	\$ (21,565)	-15.1%
	121,235	142,800	(21,565)	-15.1%
Other revenue		25	(25)	-100.0%
Federal operating	\$ 348,988	337,500	11,488	3.4%
TDA earned revenue	\$ 298,755	351,635	(52,880)	-15.0%
STA revenue	\$ 165,537	165,537	-	0.0%
Measure J	\$ 354,612	376,596	(21,984)	-5.8%
Other operating assistance	\$ 33,916	35,000	(1,084)	-3.1%
	1,201,808	1,266,293	(64,485)	-5.1%
Total Revenue	\$ 1,323,043	\$ 1,409,093	\$ (86,050)	-6.1%
Expenses				
Wages-Other	\$ 14,046	\$ 24,622	\$ (10,576)	-43.0%
	14,046	24,622	(10,576)	-43.0%
Fringe Benefits	\$ 10,454	13,921	(3,467)	-24.9%
Services	\$ 15,388	4,025	11,363	282.3%
Materials & Supplies	\$ 534	850	(316)	-37.2%
Utilities	\$ 5,485	6,350	(865)	-13.6%
Taxes	\$ -	100	(100)	-100.0%
Miscellaneous	\$ -	225	(225)	-100.0%
Special Trip Services	\$ 1,277,136	1,359,000	(81,864)	-6.0%
Total Expenses	\$ 1,323,043	\$ 1,409,093	\$ (86,050)	-6.1%
Net Income (Loss)	\$ -	\$ -	\$ -	
Revenue Hours	17,759	18,608	(849)	-4.6%
Cost per Rev Hr	\$ 74.50	\$ 75.73	\$ (1.23)	-1.6%
Passengers	35,316	38,879	(3,563)	-9.2%
Cost per Passenger	\$ 37.46	\$ 36.24	\$ 1.22	3.4%
Passengers per Rev Hr	1.99	2.09	(0.10)	-4.8%
Farebox ratio	9.2%	10.1%	-1.0%	-9.6%
<i>(fares,spec fares/Oper exp-leases)</i>				

CENTRAL CONTRA COSTA TRANSIT AUTHORITY

Operator Wages

For the Three Months Ended September 30, 2016

	Actual	Year to Date Budget		Variance	% Variance	
Platform/report/turn in	1,427,793	\$	1,483,440	\$	(55,647)	-3.8%
Guarantees	81,739	\$	80,291		1,448	1.8%
Overtime	55,739	\$	70,312		(14,573)	-20.7%
Spread	38,911	\$	39,571		(660)	-1.7%
Protection	71,382	\$	73,222		(1,840)	-2.5%
Travel	49,309	\$	51,465		(2,155)	-4.2%
Training	68,842	\$	45,786		23,056	50.4%
Other Misc	9,812	\$	16,889		(7,077)	-41.9%
	\$ 1,803,527	\$	\$ 1,860,975	\$	(57,448)	-3.1%

Schedule 4- Operator Wages

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
Other Revenue; Other Operating Assistance; Miscellaneous Expenses
For the Three Months Ended September 30, 2016

Other Revenue	
Investment income (interest)	\$ 4,214
ADA Database Management revenue	18,750
Paypal Shipping revenue	246
RTC card revenue	427
Accounts payable discount	1
Various	993
	\$ 24,631
Other Operating Assistance	
RM2	\$ 48,446
BART feeder revenue	194,440
LCTOP	74,877
	\$ 317,763
Miscellaneous Expenses	
Board Travel Expense	\$ 1,719
Staff Travel Expense	3,171
APTA Dues	8,757
Employee functions	3,160
Employee Awards/pins	876
Paypal fees	386
Training	1,718
Various other	597
	\$ 20,384

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
FY 2017 Year to Date Comparison of FY 2016 Actual & FY 2015 Actual
Statistics
For the Three Months Ended September 30, 2016

Actual	Actual	Variance	Actual	Variance
FY2017	FY2016	Actual 2017 to Actual 2016	FY2015	Actual 2017 to Actual 2015

Fixed Route

Fares	\$ 707,168	\$ 694,596	1.8%	\$ 741,900	-4.7%
Special Fares	345,396	346,575	-0.3%	329,837	4.7%
Total Fares	\$ 1,052,564	\$ 1,041,171	1.1%	\$ 1,071,737	-1.8%
<i>Fares box recovery ratio</i>	16.1%	15.9%	1.0%	15.6%	2.8%
Operating Exp (Less leases)	\$ 6,548,200	\$ 6,544,082	0.1%	\$ 6,852,674	-4.4%
<i>Revenue Hours</i>	56,320	55,255	1.9%	54,562	3.2%
<i>Cost per Rev Hour</i>	\$ 116.27	\$ 118.43	-1.8%	\$ 125.59	-7.4%
<i>Passengers</i>	898,009	915,922	-2.0%	890,053	0.9%
<i>Cost per Passenger</i>	\$ 7.29	\$ 7.14	2.1%	\$ 7.70	-5.3%
<i>Passengers per Rev Hr</i>	15.94	16.58	-3.8%	16.31	-2.3%

Paratransit

Fares	\$ 121,235	\$ 138,512	-12.5%	\$ 139,572	-13.1%
<i>Fares box recovery ratio</i>	9.2%	10.4%	-12.1%	10.8%	-15.1%
Operating Exp (Less leases)	\$ 1,323,043	\$ 1,328,362	-0.4%	\$ 1,292,860	2.3%
<i>Revenue Hours</i>	17,759	19,087	-7.0%	18,803	-5.6%
<i>Cost per Rev Hour</i>	\$ 74.50	\$ 69.60	7.0%	\$ 68.76	8.4%
<i>Passengers</i>	35,316	36,643	-3.6%	36,916	-4.3%
<i>Cost per Passenger</i>	\$ 37.46	\$ 36.25	3.3%	\$ 35.02	7.0%
<i>Passengers per Rev Hr</i>	1.99	1.92	6.9%	1.96	1.3%

County Connection

INTER OFFICE MEMO

TO: Administration & Finance Committee

DATE: November 30, 2016

FROM: Rick Ramacier
General Manager

SUBJECT: CCCTA Investment Policy – Quarterly Reporting Requirement

Attached please find CCCTA's Quarterly Investment Policy Reporting Statement for the quarter ending September 30, 2016.

This certifies that the portfolio complies with the CCCTA Investment Policy and that CCCTA has the ability to meet the pool's expenditure requirements (cash flow) for the next six (6) months.

CCCTA
BANK CASH AND INVESTMENT ACCOUNTS
(ROUNDED OFF TO NEAREST \$)

FIXED ROUTE	ACCT #	TYPE	PURPOSE	PER BANK				PER GL*
				MAR 2016	JUN 2016	SEP 2016	SEP 2016	
UNION BANK	274-00-26650	CHECKING	AP GENERAL	\$ 783,890	\$ 767,760	\$ 2,415,179	\$ 2,411,183	
UNION BANK	274-00-26693	CHECKING	PAYROLL	\$ 58,750	\$ 57,854	\$ 42,319	\$ 40,620	
UNION BANK	274-00-26723	CHECKING	CAPITAL PURCHASES	\$ 248,093	\$ 226,227	\$ 285,394	\$ 250,000	
UNION BANK	274-00-26715	CHECKING	WORKERS' COMP - CORVEL	\$ 72,919	\$ 62,958	\$ 63,162	\$ 38,505	
UNION BANK	274-00-26685	CHECKING	PASS SALES	\$ 152,155	\$ 67,082	\$ 10,944	\$ 10,944	
UNION BANK	274-00-26707	Money Market	INFO TRANSIT SYS MAINT-CLEVER DEVICES	\$ 32,535	\$ 32,597	\$ 32,646	\$ 32,646	
PAYPAL	27SAXUFL9732	CHECKING	PAYPAL-PASS SALES	\$ 978	\$ 1,079	\$ 1,001	\$ 1,001	
PARATRANSIT			TOTAL	\$ 1,349,320	\$ 1,215,557	\$ 2,850,645	\$ 2,784,899	
UNION BANK	274-00-26669	CHECKING	AP GENERAL	\$ 321,454	\$ 305,616	\$ 254,322	\$ 256,039	
LAIF FUND			TOTAL	\$ 321,454	\$ 305,616	\$ 254,322	\$ 256,039	
LAIF ACCOUNT	4007001	INT-INVEST	OPERATING FUNDS	\$ 9,528,411	\$ 3,526,311	\$ 7,569,804	\$ 7,569,804	
LAIF ACCOUNT		INT-INVEST	2014-15 Rolling Stock	\$ 3,105,940	\$ 3,101,003	\$ 3,098,756	\$ 3,098,756	
LAIF ACCOUNT		INT-INVEST	Mobility Matters	\$ 6,277	\$ -	\$ -	\$ -	
LAIF ACCOUNT		INT-INVEST	Lifeline Bus Stop Access	\$ 143,227	\$ 133,702	\$ 133,223	\$ 133,223	
LAIF ACCOUNT		INT-INVEST	Facility Rehab	\$ 3,278,191	\$ 3,278,431	\$ 3,281,940	\$ 3,281,940	
LAIF ACCOUNT		INT-INVEST	Martinez Shuttle	\$ 68,199	\$ 21,659	\$ -	\$ -	
LAIF ACCOUNT		INT-INVEST	LCTOP - Martinez Shuttle	\$ -	\$ 308,009	\$ 254,940	\$ 254,940	
LAIF ACCOUNT		INT-INVEST	LCTOP - Electric Trolley	\$ -	\$ 305,593	\$ 273,456	\$ 273,456	
LAIF ACCOUNT		INT-INVEST	Safe Harbor Lease Reserve	\$ 1,447,312	\$ 1,448,984	\$ 1,450,959	\$ 1,450,959	
LAIF ACCOUNT		FMV ADJ.	Fair Market Value Adjustment for Year-End	\$ -	\$ -	\$ -	\$ -	
CCCTA EMPLOYEE			TOTAL	\$ 17,577,557	\$ 12,123,692	\$ 16,063,078	\$ 16,063,078	
UNION BANK	274-00-26677	CHECKING	EMPLOYEE FITNESS FUND	\$ 9,063	\$ 9,665	\$ 8,696	\$ 8,696	
UNION BANK	274-00-26502	CHECKING	EMPLOYEE FUNCTION	\$ 3,396	\$ 508	\$ 508	\$ 508	
GRAND TOTAL			TOTAL	\$ 19,260,790	\$ 13,655,038	\$ 19,177,249	\$ 19,113,220	

* GL balances reduced by outstanding checks and increased by deposits in transit, if any.

This is to certify that the portfolio above complies with the CCCTA Investment Policy and that CCCTA has the ability to meet its expenditures (cash flow) for the next six months.


 Rick Ramm
 General Manager