County Connection

INTER OFFICE MEMO

To: Administration and Finance Committee Date: December 6, 2017

From: Erick Cheung, Director of Finance Reviewed by:

SUBJECT: FY 2017 Financial Audit

Summary of Issues:

The audit for FY 2017 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 $56,460,115 (Page 7 of BFS) an increase of $13,663,215. The following is a summary of the changes in Net Position between June 30, 2017 and June 30, 2016:

- Capital Assets – Capital Assets increased $13,607,457 to $58,110,751 due mainly to the purchase of 35 buses and 4 electric trolleys during the fiscal year.

- Deferred Outflow of Resources- The increase from $5,052,369 to $8,345,912 represents the Authority's future pension contributions to CalPERS since it did not meet the discount rate during fiscal years 2015 and 2016. The amount will be amortized over 5 years and the deferred outflow will be expensed by FY2020.
- Deferred Inflow of Resources- The $4,283,141 represents excess investment income earned and changes in estimates based on actual or changes in assumptions that provide additional assets to the plan as of June 30, 2016. The amount will be amortized over the remaining life of the gain not to exceed 5 years and the majority of the deferred inflow will be earned by FY 2018.
- The changes noted above regarding Deferred Inflows/Outflows, contributions, and payments of benefits provide a net pension liability as of June 30, 2016 (the measurement date) of $7,119,101. (See Note 7 of BFS for more information)

Other information:

Page 40-41 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 42-45 of the BFS - Letter from the auditor regarding the compliance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. There are no current year findings or questioned costs.

In the Letter to the Administration and Finance Committee the auditors had no material weaknesses or deficiencies, but did note one area of improvement of our internal controls. The auditors tested 10 terminated employees and 1 of them did not have his identification badge disabled until one day after the employee's termination. The delay was due to IT not receiving a timely email notification. Staff concurs with the finding and already has a checklist and Human Resources will submit to IT more timely.

Other Letters:

- Letter to the Administration and Finance Committee and Board of Directors regarding the responsibilities of the auditor and the scope and timing of the audit. (Attachment B)
- Letter to the Administration and Finance Committee and Board of Directors regarding agreed upon conditions designed to increase efficiency and internal controls. The auditors had one current year condition and recommendation. (Attachment C)
- Letter to the Administration and Finance Committee and Board of Directors reviewing TDA and STA revenue, diesel fuel and PERS benefits. The auditor had no findings. (Attachment D)

Recommendation:

Staff recommends the Administration and Finance Committee approval of the FY 2017 audit report to the Board prepared by Brown Armstrong Accountancy Corporation as submitted.

The audit report and letters are attached.

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
CONCORD, CALIFORNIA

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Administrative and Finance Committee and Board of Directors
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 fiscal year ended June 30, 2017, 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, 2017, and the respective changes in financial position and cash flows thereof for the fiscal 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 the Governmental Accounting Standards Board (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.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Authority's June 30, 2016, financial statements, and our report dated December 15, 2016, 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, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated __________, 2017, 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
__________, 2017

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 270 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, deferred outflow of resources, 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.

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 $4,756,711, while operating expenses were $39,744,134. The Authority is able to cover most of its operating expenses through operating revenue and federal, state, and local grants.

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Statements of Net Position

A comparison of the Authority's Statements of Net Position as of June 30, 2017 and 2016, is as follows:

	2017	2016	2017 to 2016 Increase/Decrease Amount	%
Current assets	$ 21,234,318	$ 18,538,282	$ 2,696,036	14.54%
Noncurrent assets	58,117,188	44,510,812	13,606,376	30.57%
Total assets	79,351,506	63,049,094	16,302,412	25.86%
Deferred outflow of resources	8,345,912	5,052,369	3,293,543	65.19%
Total assets and deferred outflow of resources	$ 87,697,418	$ 68,101,463	$ 19,595,955	28.77%
Current liabilities	$ 18,659,223	$ 16,419,338	$ 2,239,885	13.64%
Noncurrent liabilities	8,294,939	3,393,524	4,901,415	144.43%
Total liabilities	26,954,162	19,812,862	7,141,300	36.04%
Deferred inflow of resources	4,283,141	5,491,701	(1,208,560)	-22.01%
Net position				
Net investment in capital assets	57,996,751	44,351,294	13,645,457	30.77%
Unrestricted net position	(1,536,636)	(1,554,394)	17,758	1.14%
Total net position	56,460,115	42,796,900	13,663,215	31.93%
Total liabilities, deferred inflow of resources, and net position	$ 87,697,418	$ 68,101,463	$ 19,595,955	28.77%

The Authority's net position increased $13,633,215 to $56,460,115 as of June 30, 2017. The increase was mainly due to the capital contributions for the purchase of 35 buses and 4 electric trolleys which was offset by depreciation of capital assets.

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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 2017 and 2016 is as follows:

	2017	2016	2017 to 2016 Increase/Decrease Amount	%
Operating revenues	$ 4,756,711	$ 4,990,622	$ (233,911)	-4.69%
Operating expenses	(39,744,134)	(37,933,097)	1,811,037	4.77%
Operating loss	(34,987,423)	(32,942,475)	(2,044,948)	-6.21%
Nonoperating revenues	29,640,151	28,808,879	831,272	2.89%
Capital contributions	19,010,487	17,447,423	1,563,064	8.96%
Increase in net position	$ 13,663,215	$ 13,313,827	$ 349,388	2.62%

The largest revenue category listed on the Statements of Revenues, Expenses, and Changes in Net Position is state and local operating assistance at $27,891,975 (81% in 2017, 76% in 2016). 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 and represented $17,655,611 in fiscal year 2017. The second largest revenue source is from Contra Costa Transportation Authority Measure J, which is a countywide ½ cent sales tax which the Authority received $6,008,582.

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 $23,761,356 or 60% (including Governmental Accounting Standards Board (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) for $5,309,756 and depreciation of capital assets for $5,363,010.

Selected revenue increases (decreases) change from prior year:

	2017	2016	2017 to 2016 Increase/ Decrease
Passenger revenue	$ 3,275,964	$ 3,549,944	$ (273,980)
Special transit fares	1,480,747	1,440,678	40,069
Federal operating assistance	1,002,950	2,237,709	(1,234,759)
State and local operating assistance	27,891,975	25,713,041	2,178,934

As shown above, there was a decrease of $1,234,759 in federal operating assistance, as the Authority used one time unspent grant allocations in the prior year. The increase in state and local operating assistance of $2,178,934 was due to an increase in Measure J ($357,939) and an increase in TDA 4.0 ($2,000,473). This was offset by State Transit Assistance (STA) revenue decreasing $108,337 and Low Carbon Transit Operations Program grant lower than prior year by $164,747. STA revenue is based on the price of diesel fuel which has dropped over the past several years. In fiscal year 2012, the Authority received $3.1 million compared to $2.2 million in fiscal year 2017. The decrease in passenger revenue of $273,980 was due to lower ridership, while the increase in special transit fares of $40,069 was due to updating agreements for services subsidized by other entities.

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Capital Assets

Details of the capital assets including assets acquired under capital lease, net of accumulated depreciation as of June 30, 2017 and 2016, are as follows:

	2017	2016	2017 to 2016 Increase/(Decrease) Amount	%
Land and land improvements	$ 4,901,721	$ 4,886,700	$ 15,021	0.31%
Construction in process	1,010,681	514,765	495,916	96.34%
Shop, office, other equipment, and service vehicles	4,868,184	5,132,118	(263,934)	-5.14%
Buildings and structures	18,474,595	18,286,339	188,256	1.03%
Revenue vehicles	79,033,455	61,280,592	17,752,863	28.97%
Total	108,288,636	90,100,514	18,188,122	20.19%
Less accumulated depreciation	(50,177,885)	(45,597,220)	(4,580,665)	-10.05%
Net total	$ 58,110,751	$ 44,503,294	$ 13,607,457	30.58%

At June 30, 2017, the Authority's net capital assets increased $13,607,457 due mainly to the purchase of 35 buses and 4 electric trolleys. Construction in progress increased $495,916 to $1,010,681 due to electric bus infrastructure, scheduling software, and bus shelters. Please refer to Note 5 in the notes to the financial statements for further details.

Noncurrent Liabilities

At June 30, 2017, the Authority's noncurrent liabilities balance was $8,294,939, compared to $3,393,524 at June 30, 2016, which consisted of the net pension liability, other post-employment benefits (OPEB) liability, compensated absences, capital lease, and self-insurance liabilities. The increase is mainly due to pension liabilities increasing $4,484,342 to $7,119,101 for fiscal year 2017. Please refer to Notes 7, 8, 11, 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 reduced service and rising pension costs. This was also the last time the Authority increased fares. The Authority does not anticipate a service reduction nor fare increase in fiscal year 2018, but will begin to feel the impacts of rising pension costs as the liability has risen substantially as mentioned above. This is due to California Public Employees' Retirement System (CalPERS) not receiving its expected investment returns of 7.5% (received 2.4% in fiscal year 2015 and 0.6% in fiscal year 2016). In December 2016, the CalPERS Board of Administration approved lowering the investment rate from 7.5% to 7.0%, which will be phased in over the three fiscal years beginning in fiscal year 2019.

In April 2017, the State passed the Road Repair and Accountability Act of 2017-Senate Bill 1 (SB1), which is estimated to generate $52.4 billion for transportation investments from infrastructure to public transit improvements over the next decade. The Authority will receive SB1 funding, but the Metropolitan Transportation Commission (MTC) is still determining the process and allocation to transit operators. Even with SB1 funds, the Authority may need to look at service and fare adjustments after fiscal year 2018.

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.

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BASIC FINANCIAL STATEMENTS

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2017 (WITH COMPARATIVE TOTALS)

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 12,376,583	$ 13,409,881
Capital and operating grants receivable	7,066,199	3,562,616
Materials and supplies	929,704	897,492
Other receivables, net of allowance ($10,615 and $11,960, respectively)	701,364	603,876
Prepaid expenses	160,468	64,417
Total Current Assets	21,234,318	18,538,282
Noncurrent Assets		
Other post-employment benefits asset (Note 11)	6,437	7,518
Capital assets, net, including assets acquired under capital lease (Note 5)	58,110,751	44,503,294
Total Noncurrent Assets	58,117,188	44,510,812
Total Assets	$ 79,351,506	$ 63,049,094
DEFERRED OUTFLOW OF RESOURCES (Note 7)	$ 8,345,912	$ 5,052,369
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 87,697,418	$ 68,101,463
LIABILITIES		
Current Liabilities		
Accounts payable	$ 7,859,989	$ 1,396,244
Capital lease (Notes 12 and 13)	38,000	38,000
Due to other government, TDA payable (Note 14)	4,225,647	4,975,435
Advances from grantors	292,500	322,645
Advances from PTMISEA (Note 6)	3,696,791	7,149,905
Compensated absences (Note 13)	790,400	942,766
Other accrued liabilities	629,365	660,230
Self-insurance liabilities (Notes 8 and 13)	1,126,531	934,113
Total Current Liabilities	18,659,223	16,419,338
Noncurrent Liabilities		
Capital lease (Notes 12 and 13)	76,000	114,000
Compensated absences (Note 13)	451,951	216,868
Self-insurance liabilities (Notes 8 and 13)	647,887	427,897
Net pension liability (Note 7)	7,119,101	2,634,759
Total Noncurrent Liabilities	8,294,939	3,393,524
Total Liabilities	$ 26,954,162	$ 19,812,862
DEFERRED INFLOW OF RESOURCES (Note 7)	$ 4,283,141	$ 5,491,701
NET POSITION		
Net investment in capital assets	$ 57,996,751	$ 44,351,294
Unrestricted	(1,536,636)	(1,554,394)
Total Net Position	$ 56,460,115	$ 42,796,900
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	$ 87,697,418	$ 68,101,463

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

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS)

	2017	2016
Operating Revenues		
Passenger fares	$ 3,275,964	$ 3,549,944
Special transit fares	1,480,747	1,440,678
Total Operating Revenues	4,756,711	4,990,622
Operating Expenses		
Salaries and benefits	23,779,117	22,863,358
Materials and supplies	2,118,404	2,273,864
Services	1,751,238	1,697,825
Purchased transportation	5,309,756	5,458,921
Insurance	676,984	685,551
Other	210,422	305,691
Utilities	320,063	284,645
Taxes	184,435	193,913
Leases and rentals	48,466	44,983
Defined benefit pension adjustment	(17,761)	(1,169,716)
Depreciation	5,363,010	5,294,062
Total Operating Expenses	39,744,134	37,933,097
Operating Loss	(34,987,423)	(32,942,475)
Nonoperating Revenues		
Federal operating assistance	1,002,950	2,237,709
State and local operating assistance	27,891,975	25,713,041
Advertising revenue	608,420	599,100
Interest income	38,789	40,642
Other revenue	83,538	82,784
Gain on sale of capital assets	14,479	135,603
Total Nonoperating Revenues	29,640,151	28,808,879
Net Loss Before Capital Contributions	(5,347,272)	(4,133,596)
Capital Contributions		
Grants restricted for capital expenses (Note 3)	19,010,487	17,447,423
Increase in Net Position	13,663,215	13,313,827
Total Net Position, Beginning of Year	42,796,900	29,483,073
Total Net Position, End of Year	$ 56,460,115	$ 42,796,900

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

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 4,659,223	$ 4,977,693
Payments to employees (salaries and benefits)	(23,313,776)	(23,228,010)
Payments to suppliers	(4,284,286)	(11,603,492)
Net Cash Used in Operating Activities	(22,938,839)	(29,853,809)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating grants	2,035,309	1,874,494
State and local operating grants	27,992,507	26,912,095
Other noncapital revenue	661,813	684,384
Net Cash Provided by Noncapital Financing Activities	30,689,629	29,470,973
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	245,290	144,855
Proceeds from capital lease	-	190,000
Principal payments on capital lease	(38,000)	(38,000)
Capital grants received	10,171,111	16,214,214
Capital asset purchases	(19,201,278)	(17,599,423)
Net Cash Flows Used in Capital and Related Financing Activities	(8,822,877)	(1,088,354)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	38,789	40,642
Net Decrease in Cash and Cash Equivalents	(1,033,298)	(1,430,548)
Cash and Cash Equivalents, Beginning of Year	13,409,881	14,840,429
Cash and Cash Equivalents, End of Year	$ 12,376,583	$ 13,409,881

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

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS)

	2017	2016
Operating Loss	$ (34,987,423)	$ (32,942,475)
Adjustments to Reconcile Operating Loss to		
Net Cash Used in Operating Activities:		
Depreciation	5,363,010	5,294,062
Changes in assets, deferred outflow of resources, liabilities,		
and deferred inflow of resources:		
(Increase) in receivables	(97,488)	(12,929)
(Increase) Decrease in materials and supplies	(32,212)	31,031
(Increase) Decrease in prepaid expenses	(96,051)	200,745
(Increase) Decrease in other assets related to other		
post-employment benefits	1,081	(15)
Increase (Decrease) in accounts payable	6,463,745	(889,875)
(Decrease) in net pension liability and related items	(17,761)	(1,169,716)
Increase (Decrease) in other liabilities and		
compensated absences	464,260	(364,637)
Net Cash Used in Operating Activities	$ (22,938,839)	$ (29,853,809)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Central Contra Costa Transit Authority (the Authority) was created in 1980 under a joint exercise of power agreement to provide, either directly or through contract, public transportation services within certain areas of the County of Contra Costa (the 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 $19,010,487 for the fiscal year ended June 30, 2017.

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.

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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, 2017, 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 14).

I. Defined Benefit Pension

For purposes of measuring the net pension liability, 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

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

Measure J Funds

This represents a local sales and use 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 ___________, 2017, which is the date the financial statements were available to be issued.

M. Implementation of New Accounting Pronouncements

Statement No. 74	*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*	The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The implementation of the standard did not impact the financial statements or disclosures of the Authority.
Statement No. 77	*Tax Abatement Disclosures*	The provisions of this statement are effective for reporting periods after December 15, 2015. There was no impact on the Authority's financial statements as a result of the implementation of this statement as the Authority does not have such transactions.
Statement No. 78	*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*	The provisions of this statement are effective for reporting periods beginning after December 15, 2015. The implementation of the standard did not impact the financial statements or disclosures of the Authority.
Statement No. 80	*Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*	The provisions of this statement are effective for reporting periods beginning after June 15, 2016. The implementation of the standard did not impact the financial statements or disclosures of the Authority.

M. Implementation of New Accounting Pronouncements (Continued)

Statement No. 82	*Pensions Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*	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. There was no material impact on the Authority's financial statements as a result of the implementation of this statement.

N. Future Accounting Pronouncements

The GASB Statements listed below will be implemented in future financial statements:

Statement No. 75	*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*	The provisions of this statement are effective for fiscal years beginning after June 15, 2017. This statement basically parallels GASB Statement No. 68 and replaces GASB Statement No. 45.
Statement No. 81	*Irrevocable Split-Interest Agreements*	The provisions of this statement are effective for reporting periods beginning after December 15, 2016. The Authority does not believe this statement will apply.
Statement No. 83	*Certain Asset Retirement Obligations*	The provisions of this statement are effective for periods beginning after June 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 83 as of the date of the basic financial statements.
Statement No. 84	*Fiduciary Activities*	The provisions of this statement are effective for periods beginning after December 15, 2018. The Authority does not believe this statement will apply.
Statement No. 85	*Omnibus 2017*	The provisions of this statement are effective for periods beginning after June 15, 2017. The Authority has not fully judged the effect of the implementation of GASB Statement No. 85 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Future Accounting Pronouncements

Statement No. 86	*Certain Debt Extinguishment Issues*	The provisions of this statement are effective for periods beginning after June 15, 2017. The Authority has not fully judged the effect of the implementation of GASB Statement No. 86 as of the date of the basic financial statements.
Statement No. 87	*Leases*	The provisions of this statement are effective for periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Cash on hand	$ 450
Cash in banks	4,116,439
Investments	8,259,694
	$ 12,376,583

Cash on Hand and Cash in Banks

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	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.

NOTE 2 – <u>CASH AND CASH EQUIVALENTS</u> (Continued)

<u>Cash on Hand and Cash in Banks</u> (Continued)

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

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

Investment in State Investment Pool

The Authority is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017, had a balance of $77.6 billion. Of that amount, 2.75% was invested in medium-term and short-term structured notes and asset-backed securities. The average maturity of PMIA investments was 194 days as of June 30, 2017.

LAIF has the following restrictions on withdrawals:

a) For same day transactions, the requesting agency must contact LAIF by 10 a.m. PST.
b) Transaction calls received after 10 a.m. are processed the following business day.
c) A requesting agency can only conduct a maximum of 15 transactions (combination of deposits and withdrawals) per month.
d) 24-hour notice is needed for withdrawals of $10 million or more.
e) The minimum transaction amount is $5,000, with amounts above the minimum transacted in increments of $1,000.
f) Prior to the funds transfer, an authorized person from the requesting agency must call LAIF to do a verbal transaction.

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 <u>www.treasurer.ca.gov</u>.

Fair Value Measurements

GASB Statement No. 72 improved the measuring of fair value for financial reporting purposes and enhanced disclosures about the fair value hierarchy as established by accounting principles generally accepted in the United States of America. The Authority's investments are held with LAIF, which is recorded on an amortized cost basis. As such, GASB Statement No. 72 does not apply.

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.

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NOTE 2 – <u>CASH AND CASH EQUIVALENTS</u> (Continued)

<u>Cash on Hand and Cash in Banks</u> (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

		Remaining Maturity			
Investment Type	Amount	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	$ 8,259,694	$ 8,259,694	$ -	$ -	$ -

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:

		Minimum	Exempt	Rating as of Year-End		
Investment Type	Amount	Legal Rating	From Disclosure	AAA	Aa	Not Rated
LAIF	$ 8,259,694	N/A	$ -	$ -	$ -	$ 8,259,694

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: $4,390,563 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, 2017.

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, 2017.

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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	$ 14,686,719
State grants	3,195,002
TDA (local transportation grants)	1,128,766
Total Capital Assistance	$ 19,010,487

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, 2017, was $10,840. For the year ended June 30, 2017, the Authority's maximum TDA assistance eligibility was $17,655,611.

During the fiscal year ended June 30, 2017, the Authority earned $6,008,582 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.

During the fiscal year ended June 30, 2017, the Authority also earned other state and local operating assistance of $4,227,782, which mostly consisted of STA revenues.

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.

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NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Capital assets activity at June 30 is shown below:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital Assets Not Being Depreciated:				
Construction in process	$ 514,765	$ 724,030	$ (228,114)	$ 1,010,681
Land	2,704,785	-	-	2,704,785
Total Capital Assets Not Being Depreciated	3,219,550	724,030	(228,114)	3,715,466
Capital Assets Being Depreciated:				
Land improvements	2,181,915	15,671	(650)	2,196,936
Shop, office, other equipment, and service vehicles	5,132,118	208,897	(472,831)	4,868,184
Buildings and structures	18,286,339	200,641	(12,385)	18,474,595
Revenue vehicles	61,280,592	18,052,039	(299,176)	79,033,455
Total Capital Assets Being Depreciated	86,880,964	18,477,248	(785,042)	104,573,170
Less Accumulated Depreciation for:				
Land improvements	2,112,789	19,045	(131)	2,131,703
Shop, office, other equipment, and service vehicles	3,877,221	336,182	(472,222)	3,741,181
Buildings and structures	12,442,356	486,385	(10,817)	12,917,924
Revenue vehicles	27,164,854	4,521,398	(299,175)	31,387,077
Total Accumulated Depreciation	45,597,220	5,363,010	(782,345)	50,177,885
Total Capital Assets Being Depreciated, Net	41,283,744	13,114,238	(2,697)	54,395,285
Total Capital Assets, Net	$ 44,503,294	$ 13,838,268	$ (230,811)	$ 58,110,751

Depreciation expense for the year ended June 30, 2017, was $5,363,010.

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, 2017, the Authority did not receive any funds, but earned interest of $47,470 from the State's PTMISEA account. As of June 30, 2017, there were $3,500,584 of expenses incurred related to rolling stock replacement, facility rehab, lifeline bus stop, electric trolleys, and the Martinez shuttle and project. The remaining proceeds of $3,696,791, which includes accrued interest, was deferred as shown in the schedule below. Qualifying expenses must be encumbered within three years from the date of the allocation and expended within three years from the date of the encumbrance.

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

Advances from PTMISEA, beginning of year	$ 7,149,905
Proposition 1B (PTMISEA) funds allocated	-
Proposition 1B (PTMISEA) interest earned	47,470
Proposition 1B (PTMISEA) expenses	(3,500,584)
Advances from PTMISEA, end of year	$ 3,696,791

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN

A. General Information about the Pension Plan

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

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

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
Hire Date	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	6.999%	6.750%
Required Employer Contribution Rates	7.553%	7.553%

NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Employees Covered – At June 30, 2017, the following employees were covered by the benefit terms for the Plan as of the June 30, 2015 actuarial valuation:

	Miscellaneous
Inactive Employees or Beneficiaries Currently Receiving Benefits	177
Inactive Employees Entitled to but not yet Receiving Benefits	115
Active Employees	250
Total	542

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, 2016 (the measurement date), the average active employee contribution rate is 6.999% of annual pay, and the employer's contribution rate is 7.553% 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, 2016, using an annual actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

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NOTE 7 – EMPLOYEES' RETIREMENT PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	
Valuation Date	June 30, 2015	
Measurement Date	June 30, 2016	
Actuarial Cost Method	Entry Age Normal	
Actuarial Assumptions:		
Discount Rate	7.65%	
Inflation	2.75%	
Projected Salary Increase	Varies by Entry Age and Service	
Investment Rate of Return	7.65%	
Mortality	Derived using CalPERS' Membership Data for all funds.	(1)
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) 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, 2015 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.

NOTE 7 – <u>EMPLOYEES' RETIREMENT PENSION PLAN</u> (Continued)

B. Net Pension Liability (Continued)

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 of Administration to take action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as it has changed its methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account historical returns of all the funds' asset classes, which include the agent plan and two cost-sharing plans, expected compound (geometric) 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	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	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.

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NOTE 7 – <u>EMPLOYEES' RETIREMENT PENSION PLAN</u> (Continued)

C. <u>Changes in the Net Pension Liability</u>

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, 2015 (Valuation Date)	$ 80,130,247	$ 77,495,488	$ 2,634,759
Changes in the year:			
Service Cost	1,945,766	-	1,945,766
Interest on the Total Pension Liability	6,022,970	-	6,022,970
Differences between Actual and Expected Experience	(800,944)	-	(800,944)
Changes in Assumptions	-	-	-
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	1,272,683	(1,272,683)
Contribution - Employee (Paid by Employer)	-	491,555	(491,555)
Contribution - Employee	-	506,311	(506,311)
Net Investment Income*	-	460,130	(460,130)
Benefit Payments, Including Refunds of Employee Contributions	(3,141,095)	(3,141,095)	-
Administrative Expenses	-	(47,229)	47,229
Net Changes during 2015-16	4,026,697	(457,645)	4,484,342
Balance at June 30, 2016 (Measurement Date)*	$ 84,156,944	$ 77,037,843	$ 7,119,101

* 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)	$ 18,491,062	$ 7,119,101	$ (2,323,784)

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

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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, 2017, the Authority recognized a defined benefit pension adjustment (pension expense) of $(17,761). At June 30, 2017, 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	$ 1,541,604	$ -
Changes in Assumptions	-	(748,946)
Differences between Actual and Expected Experience	-	(891,913)
Net Differences between Projected and Actual Earnings on Plan Investments	6,804,308	(2,642,282)
Total	$ 8,345,912	$ (4,283,141)

$1,541,604 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, 2017. 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
2017	$ (102,546)
2018	(102,544)
2019	1,642,825
2020	1,083,432
Total	$ 2,521,167

E. Payable to the Pension Plan

At June 30, 2017, the Authority reported a payable of $77,776 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 $10 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 $404,418 at June 30, 2017, 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 $1,370,000 at June 30, 2017, 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, 2017, this fund, including accrued interest, totaled $1,461,799.

NOTE 10 – CASH RESERVE FUNDS (Continued)

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, 2017, totaled $404,418, and for the workers' compensation totaled $1,370,000.

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 lease 5 years of service. As of June 30, 2017, the Authority had 182 actives and 51 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 with Public Agency Retirement Services (PARS) to secure OPEB contributions for beneficiaries. As the Trust Administrator, PARS has custody of the funds, receive and tracks contributions based on information from the Authority, invests funds from the contributions received, and pays benefits under the direction of the Authority (the plan administrator of the plan). As of June 30, 2017, PARS reported the Authority's net position restricted for OPEB of $3,084,827. There were no distributions during the fiscal year. 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 2016-17, the Authority's annual OPEB cost was $749,220. 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, 2017, were as follows:

	2017
Annual required contribution	$ 749,220
Interest on net OPEB obligation	(383)
Adjustments to annual required contribution	383
Annual OPEB cost	749,220
Contributions made	(600,420)
Implicit CalPERS subsidy	(147,719)
Change in net OPEB obligation (asset)	1,081
Net OPEB obligation (asset) - beginning of year	(7,518)
Net OPEB obligation (asset) - end of year	$ (6,437)

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

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

The Authority's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB asset for the fiscal year 2016-17 and the three 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)
2015	$ 502,513	$ 514,384	$ -	102.36%	$ (7,503)
2016	726,531	604,807	121,739	100.00%	(7,518)
2017	749,220	600,420	147,719	99.86%	(6,437)

Funding Policy, Funded Status, and Funding Progress

The Authority's required contribution of $600,420 for the fiscal year 2016-17 was based on fully funded financing requirements.

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.

Solar Panel signs	2017
Payable $38,000 per year with no interest. Required annual payments are due as follows.	$ 114,000
Less Current Portion	38,000
Long-Term Portion	$ 76,000

Future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	$ 38,000	$ -	$ 38,000
2018	38,000	-	38,000
2019	38,000	-	38,000
Total	$ 114,000	$ -	$ 114,000

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

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NOTE 13 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities at June 30, 2017, follows:

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Self-Insurance Liabilities	$ 1,362,010	$ 1,810,664	$ 1,398,256	$ 1,774,418	$ 1,126,531
Compensated Absences	1,159,634	845,670	762,953	1,242,351	790,400
Capital Lease	152,000	-	38,000	114,000	38,000
Totals	$ 2,673,644	$ 2,656,334	$ 2,199,209	$ 3,130,769	$ 1,954,931

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, 2017. 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)	$ 18,584,451
Less: applicable expenses	(16,884,715)
Unused portion to revert back to (balance due from) the County's LTF (Current Year)	1,699,736
Prior year unused portion not returned	2,525,911
Total Unused Portion to Revert Back to the County's LTF	4,225,647
LTF Allocations for Community Transit Services:	
99275 and 99260(a)	770,897
Less: applicable expenses	(770,897)
Unused portion to revert back to the County's LTF	-
Total Due Back to the County's LTF	$ 4,225,647

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.

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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2017
LAST 10 YEARS*

Measurement Period	2016	2015	2014
Total Pension Liability			
Service Cost	$ 1,945,766	$ 1,918,011	$ 1,994,470
Interest on Total Pension Liability	6,022,970	5,722,716	5,409,869
Change of Benefit Terms	-	-	-
Changes in Assumptions	-	(1,429,806)	-
Differences between Expected and Actual Experience	(800,944)	(576,058)	-
Benefit Payments, Including Refunds of Employee Contributions	(3,141,095)	(2,716,414)	(2,653,773)
Net Change in Total Pension Liability	4,026,697	2,918,449	4,750,566
Total Pension Liability - Beginning	80,130,247	77,211,798	72,461,232
Total Pension Liability - Ending (a)	$ 84,156,944	$ 80,130,247	$ 77,211,798
Plan Fiduciary Net Position			
Contributions - Employer	$ 1,272,683	$ 947,246	$ 917,689
Contributions - Employee (Paid by Employer)	491,555	432,811	509,838
Contributions - Employee	506,311	515,306	447,265
Net Investment Income**	460,130	1,698,644	11,507,514
Benefit Payments, Including Refunds of Employee Contributions	(3,141,095)	(2,716,414)	(2,653,773)
Administrative Expenses	(47,229)	(87,217)	-
Net Change in Plan Fiduciary Net Position	(457,645)	790,376	10,728,533
Plan Fiduciary Net Position - Beginning	77,495,488	76,705,112	65,976,579
Plan Fiduciary Net Position - Ending (b)	$ 77,037,843	$ 77,495,488	$ 76,705,112
Net Pension Liability - Ending [(a) - (b)]	$ 7,119,101	$ 2,634,759	$ 506,686
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.54%	96.71%	99.34%
Covered-Employee Payroll	$ 13,915,228	$ 13,613,535	$ 13,553,073
Net Pension Liability as a Percentage of Covered-Employee Payroll	51.16%	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, 2017
LAST 10 YEARS*

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation; therefore, there are only three years shown. In future years when information is available, the required 10 years will be 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: In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent.

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
AN AGENT MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2017
LAST 10 YEARS*

	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
Actuarially Determined Contributions	$ 1,272,683	$ 947,246	$ 917,689
Contributions in Relation to the Actuarially Determined Contributions	(1,272,683)	(947,246)	(917,689)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll**	$ 13,915,228	$ 13,613,535	$ 13,553,073
Contributions as a Percentage of Covered-Employee Payroll	9.15%	6.96%	6.77%

Notes to Schedule:

* Fiscal year 2014 was the 1st year of implementation; therefore, only three years are show. When information is available, the required 10 years will be shown.

** Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. Payroll from prior year, $13,613,535, was assumed to increase by the 3% percent payroll growth assumption.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016 were from the June 30, 2013 valuation.

Valuation date: June 30, 2013

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	21 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.

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS
JUNE 30, 2017

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%

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SUPPLEMENTARY SCHEDULE AND OTHER REPORTS

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CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Grant Expenditures
U.S. DEPARTMENT OF TRANSPORTATION		
Direct Programs:		
Federal Transit Administration (FTA)		
Capital and Operating Assistance Grants	20.507	
Grant CA-95-X304-00 - Capital and Operating		$ 154,241
Grant CA-90-Z212-00 - Capital and Operating		500,000
Grant CA-58-0018-00 - Capital and Operating		3,943,342
Grant CA-2017-137-00 - Capital and Operating		226,062
Grant CA-2016-013-00 - Capital and Operating		17,398
Grant CA-2016-057-00 - Capital and Operating		10,433,840
Grant CA-2016-121-00 - Capital and Operating		261,198
Total FTA Capital and Operating Assistance Grants		15,536,081
Total FTA Grants		$ 15,536,081

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, 2017

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. The information in the SEFA is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 3 – INDIRECT COST RATE

The Authority did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

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 Administrative and Finance Committee and 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; 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 (TDA); and the allocation instructions and resolutions of the Metropolitan Transportation Commission (MTC), the financial statements of the Central Contra Costa Transit Authority (the Authority) as of and for the fiscal year ended June 30, 2017, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated _____, 2017.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests of the Authority's compliance with certain provisions of the TDA and the allocation instructions and resolutions of the MTC 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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards,* the TDA, and the MTC.

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, 2017, the Authority did not receive any funds, but earned interest of $47,470 from the State's PTMISEA account. During the fiscal year ended June 30, 2017, the Authority incurred $3,500,584 of expenses for construction for rolling stock replacement, facility rehab, lifeline bus stop, electric trolleys, and the Martinez shuttle and project. During the fiscal year ended June 30, 2017, PTMISEA funds received and expended were verified in the course of our audit as follows:

Balance – beginning of the year	$ 7,149,905
Proceeds received:	
PTMISEA	-
Interest earned	47,470
Expenses incurred:	
Rolling stock replacement, facility rehab, lifeline bus stop, and the Martinez Shuttle	(3,500,584)
Unexpended proceeds, June 30, 2017	$ 3,696,791

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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2017

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

To the Administrative and Finance Committee and 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 fiscal year ended June 30, 2017. 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, 2017.

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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
_____, 2017

FINDINGS AND QUESTIONED COSTS SECTION

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017

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 or 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 or 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

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

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Audit Findings and Questioned Costs

None.

Section III – Federal Awards Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit (June 30, 2016) Findings and Current Year Status

None.

REQUIRED COMMUNICATION TO THE ADMINISTRATIVE AND FINANCE COMMITTEE AND BOARD OF DIRECTORS IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Administrative and Finance Committee and Board of Directors
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, 2017. 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 6, 2017. 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) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans;* Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*; and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, during fiscal year 2017. 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 and depreciation, 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. There were no such misstatements.

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 _____, 2017.

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 supplement 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 Administrative 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
_____, 2017

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

To the Administrative and 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), as of and for the fiscal year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, 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. 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 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 or significant deficiencies.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. The recommendation listed in this report summarizes our comment and suggestion regarding this matter.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Authority personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Current Year Conditions and Recommendations

Agreed Upon Condition 1

During our Information Technology (IT) testing, we noted that one of the ten terminated employees tested did not have his information disabled until one day after the employee's termination. The delay was due to IT not receiving a timely email notification.

Recommendation

We recommend that human resources implement a checklist of procedures to be followed upon the termination of an employee. The checklist should include a notification to IT personnel the day the employee is terminated to ensure all system access is terminated in a timely manner.

Management Response

Management concurs with the finding. Human resources has a checklist and will submit information to IT more timely.

Status of Prior Year Conditions and Recommendations

None in prior year.

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This information is intended solely for the use of the Administrative 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
_____, 2017

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Administrative 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, 2017, and compare to the prior fiscal year ended June 30, 2016. Management is responsible for the Authority's accounting records. 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, 2017 and 2016. Verified that the MTC allocation for fiscal year 2017 was not reduced from the allocation in 2016.

   Results: The 2017 MTC final TDA allocation was not 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, 2017 and 2016. Verified that the average cost of diesel fuel purchased in fiscal year 2017 did not increase by $500,000 over prior fiscal year or $0.75 per gallon when compared to the average cost in fiscal year 2016.

   Result: The 2017 diesel fuel purchased by the Authority for the fiscal year-end June 30, 2017, did not increase by $500,000 over prior year or $0.75 per gallon when compared to the average cost in fiscal year 2016. 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, 2017 and 2016. Verified that the increase for fiscal year 2017 over fiscal year 2016 did not exceed $1,000,000.

   Result: The PERS benefits (other than OPEB) paid by the Authority for fiscal year-end June 30, 2017, did not exceed $1,000,000. Refer to the attached schedule.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. 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 administrative 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
_____, 2017

Criteria	Description of Criteria	Revenue	2017	2016	$ Change
(a)	Final amount of STA or TDA funds per MTC - must not be reduced from the prior year.				
		TDA 4.0	$ 17,230,528	$ 16,762,552	
		TDA 4.5	790,650	768,070	
	Total TDA		18,021,178	17,530,622	$ 490,556
		STA Pop-FR	1,475,391	1,597,874	
		STA-Regl Paratransit	235,968	255,592	
		STA Rev based	441,617	484,822	
	Total STA		2,152,976	2,338,288	(185,312)
	Total STA and TDA		$ 20,174,154	$ 19,868,910	$ 305,244
(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 2017 increased by $0.75 per gallon when compared to the average in fiscal year 2016.		$ 1,104,108	$ 1,087,733	$ 16,375
(c)	PERS benefits paid by the Authority, other than OPEB, did not increase by over $1,000,000 from the prior year or $0.75 per gallon when compared to the average cost in fiscal year 2016.		$ 1,522,798	$ 1,744,050	$ (221,252)