EASTERN CONTRA COSTA
TRANSIT AUTHORITY
ANTIOCH, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

PREPARED BY THE FINANCE DEPARTMENT

This Page Left Intentionally Blank

EAST CONTRA COSTA TRANSIT AUTHORITY

BASIC FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

Table of Contents

This Page Left Intentionally Blank

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Eastern Contra Costa Transit Authority
Antioch, California

Report on Financial Statements

We have audited the accompanying basic financial statements of Eastern Contra Costa Transit Authority (Authority) as of and for the years ended June 30, 2014 and 2013, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Authority as of June 30, 2014 and 2013, and changes in financial position and cash flows for the years then ended in conformity 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 Management's Discussion and Analysis 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, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, 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 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.

Maze & Associates

Pleasant Hill, California
November 13, 2014

Management's Discussion and Analysis

This discussion and analysis of the Eastern Contra Costa Transit Authority's financial performance provides an overview of the Authority's financial activities for Fiscal Year 2014 including comparisons to prior fiscal years. This information should be considered in conjunction with the statements and notes contained in the Financial Section.

Financial Highlights

- At June 30, 2014, total assets were $28M vs. $33M the previous fiscal year end. Total assets decreased $5M or 15% for the year. Total current assets decreased from $7.2M to $5.0M in the same period of time. Capital assets, net of depreciation also decreased during the fiscal year from $26M to $23M.
- Total liabilities also decreased during FY14 from $5.5M to $2.9M. A decrease from $4.9M in FY13 to $2.2M in accounts payable at the end of FY14 represented the major change in liabilities.
- In FY14 the Authority saw a slight decrease in program operating revenues of $100 thousand over FY13 from $3.8M to $3.7M respectively.
- Program operating expenses saw a similar $100 thousand decrease during FY14 from $23.4M to $23.3M in the prior year.
- Non-operating revenues decreased $200 thousand from $17.0M in FY13 to $16.8M in FY14.
- As a result of all of the above, net position decreased from $27.6M to $25.3M during FY14.

Overview of the Financial Statements

The Financial Section of this report presents the Authority's financial statements including the basic financial statements and the notes to those financial statements. It also includes other, supplemental information in addition to the basic financial statements.

Basic Financial Statements

The *Statement of Net Position* presents information about the assets and liabilities and the difference between the two as *net position*. The change in net position over time indicates whether the Authority's financial position is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Position* indicates how net position has changed during the fiscal year as well as compares operating revenues and operating expenses between the current and prior, fiscal years. The operating revenues and expenses shown here are the financial activities of the Authority related to the Authority's mission of providing public transportation services in Eastern Contra Costa County. The expenses and revenues reported include fares and advertising revenues along with the cost of passenger services, administration of those services, services that have been contracted out and depreciation of fixed assets. All other revenues and expenses not included within these categories are reported as non-operating revenues and expenses.

The *Statement of Cash Flows* reports the inflow and outflow of cash at the Authority. Such activity is classified into four major components.

- *Cash flows from operating activities* including transactions reported as components of operating income in the statement of revenues, expenses and changes in net assets.
- *Cash flows from investing activities* include interest and similar returns on funds invested while held by the Authority.
- *Cash flows from non-capital financing activities* includes operating grant funding received as well as operating payments from third parties and non-operating items.
- *Cash flows from capital and related financing activities* come from the procurement of capital assets and the proceeds of capital grants.

Notes to the Financial Statements

Immediately following basic the financial statements are various notes intended to provide additional information that is essential for the reader to gain a full understanding of the information provided within the financial statements.

Other Information

This section presents required supplementary information meeting GASB requirements.

Analysis of Basic Financial Statements

- **Assets:**

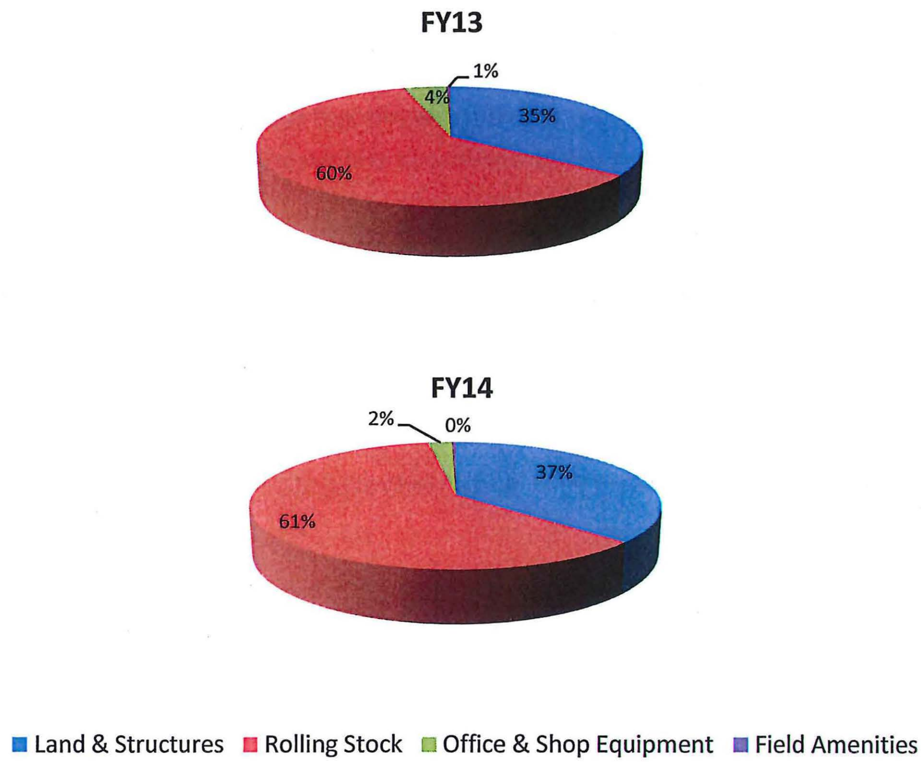
	2014	2013	Change	%
Current Assets	$4,968	$7,155	($2,187)	-31%
Net Capital Assets	23,190	25,854	(2,664)	-10%
Total Assets:	**$28,158**	**$33,009**	**($4,851)**	**-15%**

The 31% decrease in current assets from FY2013 to FY2014 was the result of the Authority having significantly lower amount of deferred receipt of operating funds at YE FY14 compared to YE FY13: $0.4M vs. $3.4M.

The 10% decrease in net capital assets in FY2014 from FY2013 was due primarily to the first year of depreciation for the twenty five new, fixed route buses acquired at the end of 2013 being placed into service during 2014.

Rolling stock and Land & Structures comprise the majority of the Authority's capital assets.

NET CAPITAL ASSETS



- **Liabilities:**

	2014	2013	Change	%
Current Liabilities	$2,633	$5,243	($2,610)	-50%
Non-Current Liabilities	250	215	35	16%
Total Liabilities:	**$2,883**	**$5,458**	**($2,575)**	**-47%**

The decrease in current liabilities from FY13 to FY14 is due to the decrease in trade accounts payable at YE 2014. This change in trade payables was due to not having the outstanding capital procurement invoices from the vendor of the twenty five buses that was part of the trade AP at the previous year's end for the recently delivered but, not-yet-in-service, twenty five fixed route bus procurement.

- **Net Position:**

The Authority's net position decreased from $28M at year end FY2013 to $25M at June 30th 2014. This reflects the increasing depreciation on existing capital assets.

- **Operating Revenue:**

The Authority received $91,000 less in operating revenues in FY14 compared to FY14. 89% of the decrease was a loss in fare revenue despite increased ridership. Average FR fare per passenger fell from $1.08 in FY13 to $1.03 in FY14, while the average DR fare per passenger fell from $3.74 to $3.45. The Authority has identified several changes in the ridership mix and is investigating those in an effort to identify the specific reasons for the drop in fare revenues and ensure their legitimacy with public policy.

- **Operating Expense:**

The Authority saw a 2% decrease in operating expense in FY14 over FY13. Most expense categories were consistent from year-to-year within 1%. Casualty and Liability costs show a 21% increase which is more timing related than absolute cost due to changes made in certain administrative insurance coverage.

The most significant savings in FY14 over FY13 was an indicated $607 thousand decrease in materials and supplies.

The comparative "savings" in materials amounted to $$$ in FY14 vs. FY13 and is directly due to bus part procurements. However, this was not so much a savings in the cost of maintenance parts, but rather due to the availability of capital, federal bus procurement funds that had been appropriated to the Authority by the FTA and could be applied to the purchase of spare parts for the large bus purchase completed at the beginning of FY14.

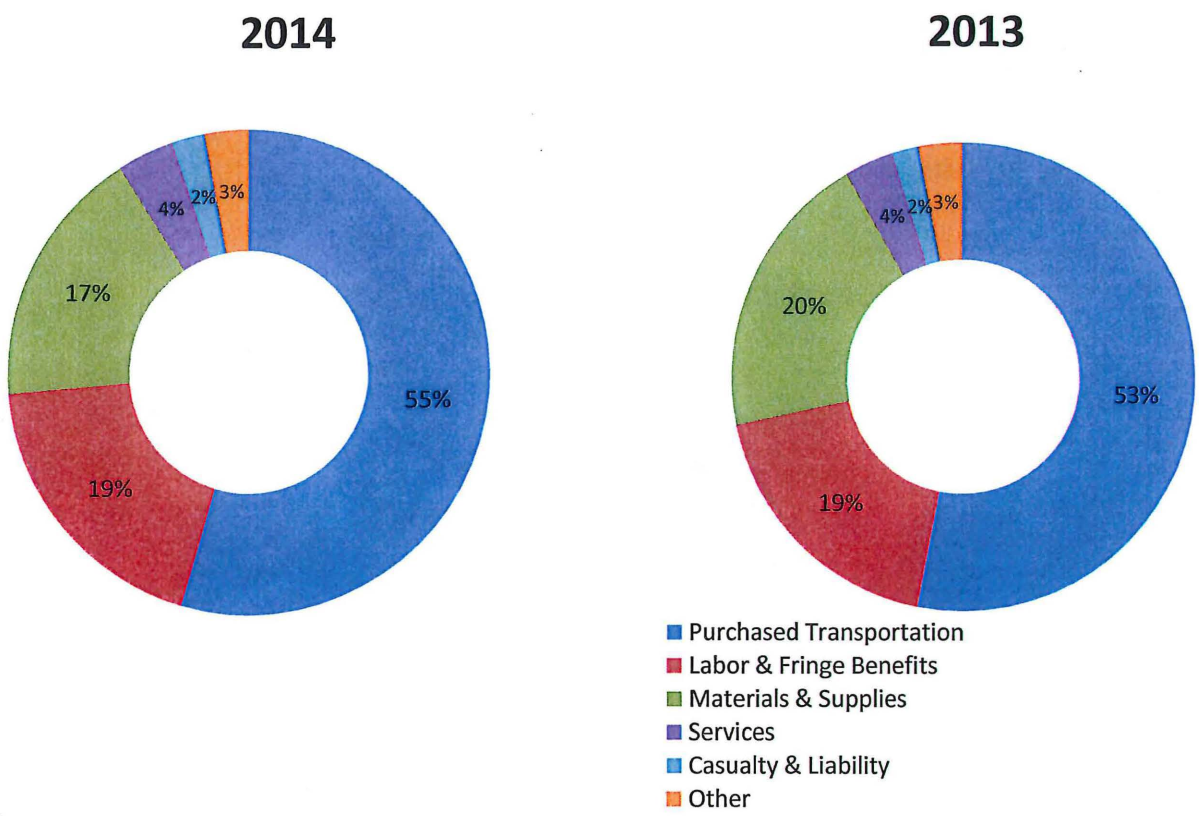
Overall fuel consumption was similar between the two years and the difference was due to lower fuel costs rather than any change in fuel consumption. The authority procures fuel on the spot market and is subject to the vagrancies of fuel prices.

Operating Expenses

($thousands)

	2014	2013	Change	%
Purchased Transportation	$11,148	$11,028	$120	1%
Labor & Fringe Benefits	3,883	3,861	22	1%
Materials & Supplies	3,546	4,153	(607)	-15%
Services	789	737	52	7%
Casualty & Liability	450	371	79	21%
Other	622	631	(9)	-1%
Total Operating Cost	**$20,438**	**$20,781**	**($343)**	**-2%**

COMPARATIVE OPERATING COSTS



- **Non-Operating Revenues/(Expenses):**

The total grant funds that the Authority received in FY14 were $470 less than in FY13. The $3.5M loss of the one-time federal grant funds that the Authority was able to obligate in FY13 was the most significant year-to-year change and required ECCTA to utilize additional TDA funds of an equal amount in FY14 to offset this.

Available STA funds continued to decline as anticipated due to changes in state law.

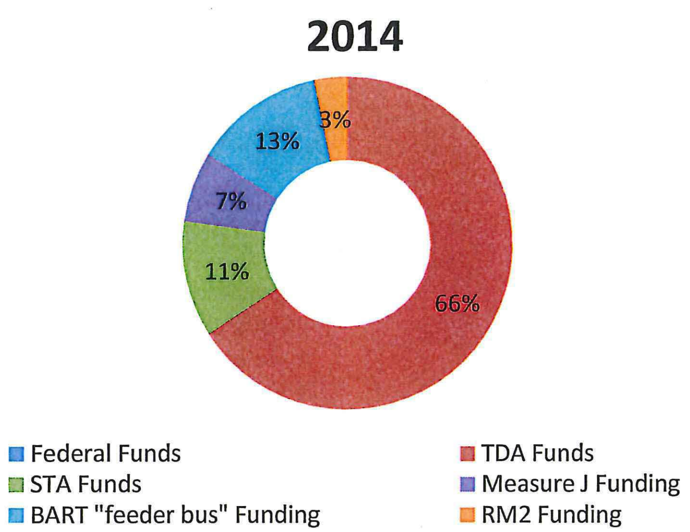
The authority received an additional $118 thousand in Measure J funding and $153 thousand increase in BART "feeder" bus funding in FY14 compared to FY13. As the chart shows, the relative proportion of these funds continues to grow for the Authority.

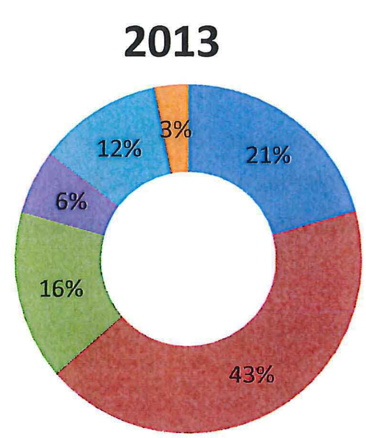
Funds Expended on Operations

($thousands)

	2014	2013	Change	%
Federal Funds	$0	$3,495	($3,495)	-100%
TDA Funds	10,888	7,320	3,568	49%
STA Funds	1,867	2,681	(814)	-30%
Measure J Funding	1,136	1,018	118	12%
BART "feeder bus" Funds	2,117	1,964	153	8%
RM2 funds	532	532	0	0%
Total Operating Funds Received	**$16,540**	**$17,010**	**($470)**	**-3%**

FUNDS EXPENDED ON OPERATIONS





The Authority received non-transportation revenues of $7,272 in FY13 and, due to a one-time occurrence, $225,393 in FY14. ECCTA sold more than thirty fully depreciated rolling stock units for scrap value in FY14 along with obsolete parts and other items no longer of use to the agency. Due to high commodities prices (scrap metal), the Authority received this relatively large windfall on those sales. The Authority invested this windfall in their replacements.

- **Capital Activity:**

The Authority expended more than $11M on capital procurements in FY13 but purchased less than $200 thousand of capital assets in FY14. The FY14 purchases were for minor capital projects and finishing items for earlier capital procurements. This is the ebb and flow of capital procurements for a transit agency, primarily because of large rolling stock replacement procurements that occur on large buses with useful lives in excess of a decade.

The Authority anticipates that adequate capital funding will be available over the long range to allow for necessary rolling stock replacement and capitalized facility maintenance. Funding for construction of offsite facilities or any expenditure for expansion of service would be outside of such funding and is more constrained by regional policies.

- **Operational Considerations**

The general economy has continued to improve during FY14. ECCTA has seen an increase in fixed route ridership along with an increase in traffic congestion in our service area due to major infrastructure construction projects such as the widening of SR4 from Pittsburg out through Brentwood, a connector between SRs 4 and 160 in Oakley and eBART facilities in East County.

Tri Delta Transit's system efficiency continued to improve as measured in total passenger trips provided and the number of passengers carried per revenue hour of service or the cost of each passenger trip.

Selected Measurements of Operational Efficiency

	2014	2013	Change	%
Total FR passenger trips	2,832,264	2,740,834	91,430	3%
FR passengers/rev hr	19.0	17.7	1.3	7%
Total DR passenger trips	131,476	128,999	2,477	2%
DR passengers/rev hr	2.0	1.9	0.1	5%
Average cost/passenger	**$6.90**	**$7.24**	**($0.34)**	**-5%**

The chart above indicates improvements in important measures of performance and efficiency in FY14.

➢ Subsequent Events

The lack of long term commitments for future funding amounts and sources continues to be of concern to the Authority. Overall funding available has increased historically but, this does not guarantee continued increases. There continues to be a general uncertainty concerning public transit funding although as the general economy has recovered, there have been positive developments in this area at the federal, state and local levels. As the designated recipient for more than 80% of the funding the Authority receives, the regional policies of the Metropolitan Transportation Commission have an important impact on the sources and uses of funds available to the Authority.

The Authority continues to seek operational efficiencies in all areas of the provided services. There remain three important concerns related to the Authorities operations

- The amount of funding available particularly in the competitive environment for such funding in the Bay Area. With the future opening of eBART service in East County, there are unknown potential impacts on the Authority's service. ECCTA continues to work closely with BART in an effort to determine how best to accommodate and economize, this future service. As part of that cooperative effort, Tri Delta Transit recently contracted with to review the Authority's entire route structure and scheduling and suggest changes that might better accommodate the bus transit needs of the local communities with an eye towards future changes such as the opening of eBART service while also remaining compliant with all funding agency imposed requirements.

- The paratransit eligible population of the Authority's service area continues to grow and the demand for paratransit services as well as the comparative higher cost of providing demand responsive services remains a concern. This is true for all publicly funded, transit operators who are required to provide complimentary paratransit services under ADA guidelines applicable to public transit fund recipients. This issue may be best addressed on a regional or national scale than at the operator level alone.

- The Authority has faced Increasing employee benefit costs as have all employers. This is particularly true of employee health care and retirement benefits as well as worker's compensation insurance. The Authority seeks to control these costs while providing necessary benefits so as to retain qualified and experienced employees. The Authority recently changed employee health care coverage options during open enrollment and seeks the lowest cost provider for worker's comp insurance each year at renewal by engaging a business savvy insurance broker.

Requests for Information

This financial report was created to provide citizens, taxpayers, as well as the Authority's customers and creditors with a general overview of the Authority's finances. It is designed to demonstrate agency accountability for appropriate use of public funds that the Authority receives. Any questions or requests for additional information can be made to:

The Eastern Contra Costa Transit Authority
Attn: CFO
801 Wilbur Avenue
Antioch, CA 94590
(925) 754-6622
comment@eccta.org

Copies of this report are available online: http://www.trideltatransit.com/public.aspx

EASTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
Current Assets		
Unrestricted assets:		
Cash and equivalents (Note 3)	$3,140,136	$2,311,268
Operating assistance receivable	379,119	3,255,471
Capital grants receivable	147,172	658,746
Accounts receivable	142,932	151,091
Maintenance inventories and supplies, at cost	682,945	698,779
Total unrestricted assets	4,492,304	7,075,355
Restricted cash and equivalents (Note 3 and 8):		
PTMISEA reserves (Note 8)	333,372	31,909
CTSGP reserves	142,372	47,454
Total restricted assets	475,744	79,363
Total Current Assets	4,968,048	7,154,718
Non-Current Assets		
Capital assets (Note 4):		
Non-depreciable	2,456,985	2,445,157
Depreciable, net of accumulated depreciation	20,733,049	23,409,414
Total Non-Current Assets	23,190,034	25,854,571
Total Assets	28,158,082	33,009,289
LIABILITIES		
Current Liabilities		
Accounts payable	2,233,709	4,860,403
Accrued liabilities	399,300	382,445
Total Current Liabilities	2,633,009	5,242,848
Non-Current Liabilities		
Other Post Employment Benefit Obligation (Note 10C)	250,000	215,000
Total Liabilities	2,883,009	5,457,848
NET POSITION (Note 2G)		
Net investment in capital assets	23,190,034	25,854,571
Restricted for:		
PTMISEA projects	333,372	31,909
CTSGP projects	142,372	47,454
Unrestricted	1,609,295	1,617,507
Net Position	$25,275,073	$27,551,441

See accompanying notes to basic financial statements

EASTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014 AND 2013

	2014	2013
PROGRAM OPERATING REVENUES		
Passenger fares	$3,358,976	$3,439,726
Other operating income	314,780	325,179
Total Program Operating Revenues	3,673,756	3,764,905
PROGRAM OPERATING EXPENSES		
Purchased transportation (Note 12)	11,147,718	11,028,322
Materials and supplies	3,545,858	4,153,238
Salaries and benefits	3,883,373	3,861,347
Services	789,577	737,072
Casualty and liability insurance	450,444	371,250
Utilities	223,601	192,960
Other	398,209	437,906
Depreciation (Note 4)	2,845,740	2,658,532
Total Program Operating Expenses	23,284,520	23,440,627
PROGRAM OPERATING LOSS	(19,610,764)	(19,675,722)
NON-OPERATING REVENUES (EXPENSES)		
Federal grant revenues		3,494,880
State grant revenues	12,755,241	10,001,345
Local grant revenues	3,784,390	3,513,694
Non-transportation revenues	7,643	7,272
Gain on sale of capital asset	217,750	
Net Non-Operating Revenues, Before Capital Contributions (Grants)	16,765,024	17,017,191
Capital Contributions (Grants)	569,372	8,296,165
Net Non-Operating Revenues and Capital Contributions	17,334,396	25,313,356
CHANGE IN NET POSITION	(2,276,368)	5,637,634
NET POSITION AT BEGINNING OF YEAR	27,551,441	21,913,807
NET POSITION AT END OF YEAR	$25,275,073	$27,551,441

See accompanying notes to basic financial statements

EASTERN CONTRA COSTA TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from passenger fares	$3,367,135	$3,416,198
Cash received from operations - other	314,780	325,179
Cash payments for purchased transportation	(11,147,718)	(11,028,322)
Payments to and on behalf of employees	(3,848,373)	(3,826,347)
Payments to suppliers for goods and services	(8,001,694)	(3,317,828)
Net cash provided (used) by operating activities	(19,315,870)	(14,431,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	6,449	6,404
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State operating grants	13,266,815	9,866,992
FTA grants		3,494,880
Local grants	6,660,742	2,196,264
Other	218,944	868
Net cash provided by noncapital and financing activities	20,146,501	15,559,004
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions received	172,991	11,218,141
Purchase of capital assets	(181,203)	(11,218,753)
Net cash provided (used) by capital and related financing activities	(8,212)	(612)
NET CASH FLOWS	828,868	1,133,676
CASH AND INVESTMENTS AT BEGINNING OF YEAR	2,311,268	1,177,592
CASH AND INVESTMENTS AT END OF YEAR	$3,140,136	$2,311,268
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	(19,610,764)	(19,675,722)
Depreciation expense	2,845,740	2,658,532
Change in assets and liabilities:		
Other receivables	8,159	(23,528)
Maintenance inventories and supplies	15,834	(51,079)
Accounts payable	(2,626,694)	2,605,060
Accrued liabilities	16,855	20,617
Other post employment benefit obligation	35,000	35,000
	($19,315,870)	($14,431,120)

See accompanying notes to basic financial statements

NOTE 1 - GENERAL

The Eastern Contra Costa Transit Authority (Authority), also known as Tri Delta Transit, was created August 3, 1976 under a joint exercise of powers agreement between the cities of Antioch, Pittsburg, Brentwood, and Contra Costa County, for the purpose of meeting the public transportation needs in Eastern Contra Costa County. The Authority is governed by a board of Directors composed of representatives of the member jurisdictions. The joint exercise of powers agreement was amended on April 26, 2000 to include the recently incorporated City of Oakley.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Authority, which conform with generally accepted accounting principles applicable to governments in the United States of America.

A. Enterprise Fund Accounting

The Authority is accounted for as an enterprise fund. This fund is a set of self-balancing accounts, which comprise its assets and deferred outflows, liabilities and deferred inflows, net position, revenues and expenses.

B. Basis of Accounting

Basis of accounting refers to *when* revenues and expenses are recognized. The Authority is accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

Non-exchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

C. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Authority are charges to customers for farebox revenues. The Authority's *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the Authority. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Risk Management

The Authority requires its operations contractor, First Transit, Inc., to provide general liability coverage. First Transit provides insurance with primary coverage of $20,000,000 in aggregate. In addition, the Authority is insured for premises and operational bodily injury and property damage up to a limit of $12,100,000, with a deductible of $10,000.

F. Compensated Absences

Full-time permanent employees are granted personal time off (PTO) benefits in varying amounts to specified maximums, depending on their tenure with the Authority. PTO accrues to employees to specified maximums after six months of service. The estimated current portion of the liability for PTO benefits is recorded as an expenditure with a corresponding liability.

G. Net Position

Net Position is the excess of all the Authority's assets and deferred outflows over all its liabilities and deferred inflows. Net Position are divided into three captions and apply only to Net Position as described below:

Net Investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Authority's capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the Authority cannot unilaterally alter. The Authority's Restricted Net Position is for unexpended funds received from PTMISEA and CTSGP.

Unrestricted describes the portion of Net Position which is not restricted to use.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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.

I. Deferred Inflow/Outflow of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

J. New Accounting Pronouncements

The Authority has implemented the requirements of the following GASB Pronouncements:

GASB Statement No. 65 – This Statement establishes accounting and financial reporting standards that reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, and certain items that were previously reported as assets and liabilities recognizes as outflows of resources or inflows of resources. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. Statement No. 63 established the financial statement presentation for deferred inflows and deferred outflows, and Statement No. 65 makes other changes and defines certain transactions subject to this new presentation. This Statement had no impact on the Authority's financial statements.

GASB Statement No. 70 - This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement had no impact on the Authority's financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Authority's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Authority's name and places the Authority ahead of general creditors of the institution.

A. Cash and Cash Equivalents

The Authority's unrestricted cash consists of time and demand deposits and petty cash held at the Authority's administrative office.

The Authority's restricted assets, which consist of certificates of deposit with Bank of Agriculture and Commerce, are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents for the years ended June 30, 2014 and 2013 consisted of the following:

	2014	2013
Unrestricted cash:		
Deposits in financial institutions	$3,139,548	$2,310,686
Cash on hand at Authority	588	582
Total unrestricted cash and equivalents	3,140,136	2,311,268
Restricted - certificates of deposit:		
PTMISEA reserve	333,372	31,909
CTSGP reserve	142,372	47,454
Total restricted cash and equivalents	475,744	79,363
Total Cash and Equivalents	$3,615,880	$2,390,631

B. PTMISEA Reserve

The Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA) is one of the programs included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006 (see Note 8). The Authority is applying these funds to eligible capital expenditures for bus replacements.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

C. CTSGP Reserve

The California Transit Security Grant Program (CTSGP) California Transit Assistance Fund is another program included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006 (Note 8). The Authority is applying these funds to eligible capital expenditures for interoperable communications and physical security enhancement equipment.

NOTE 4 – CAPITAL ASSETS

Capital assets of the Authority consist of land, transit and service vehicles, buildings and improvements, and equipment. Capital assets are recorded at cost and depreciated over their estimated useful lives. The Authority's policy is to capitalize all assets when costs exceed $5,000.

Depreciation of capital assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned the useful lives as follows:

Building and improvements	30 years
Transit vehicles	4-14 years
Shop, office and other equipment	5–10 years

A. Capital Asset Activity

Capital assets activity during fiscal year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets not being depreciated:				
Land	$2,445,157	$11,828		$2,456,985
Total capital assets not being depreciated	2,445,157	11,828		2,456,985
Capital assets being depreciated:				
Buildings and improvements	12,715,138			12,715,138
Transit vehicles	39,128,016	105,572	($10,406,200)	28,827,388
Equipment	3,542,407	63,803		3,606,210
Total capital assets being depreciated	55,385,561	169,375	(10,406,200)	45,148,736
Less accumulated depreciation for:				
Buildings and improvements	5,935,262	573,831		6,509,093
Transit vehicles	23,545,964	1,702,309	(10,406,200)	14,842,073
Equipment	2,494,921	569,600		3,064,521
Total accumulated depreciation	31,976,147	2,845,740	($10,406,200)	24,415,687
Total depreciable assets	23,409,414	(2,676,365)		20,733,049
Capital assets, net	$25,854,571	($2,664,537)		$23,190,034

NOTE 4 – CAPITAL ASSETS (Continued)

B. Capital Contributions

The Authority has grant contracts with the U.S. Department of Transportation through the Federal Transit Administration for certain capital improvements. Federal Transit Administration funds are used to replace and improve the Authority's buses and transit facilities. The Authority also has contracts under the Transportation Development Act of 1971 (TDA) and State Transit Assistance (STA) funds, which are used to match Federal Transit Administration grants or to fund transit improvement projects. Capital funding provided under government grants is considered earned as the allowable expenditures are incurred.

Grants for capital assets acquisition and facility development and rehabilitation are reported in the Statement of Revenues, Expenses and Changes in Net Position, after non-operating revenues and expenses as capital contributions.

NOTE 5 – OPERATING GRANTS

The authority records operating assistance grants as revenue when earned.

A. TDA and STA Operating Assistance

The Authority receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971 and State Transit Assistance (STA) funds. These funds are generated within Contra Costa County and are allocated based on annual claims filed by the Authority and approved by the Metropolitan Transportation Commission (MTC). Generally, the maximum annual TDA assistance the Authority can receive is limited to its actual operating costs (excluding depreciation) less fare revenues received and other local operating assistance (including interest income).

For the years ended June 30, 2014 and 2013, the maximum TDA operating assistance eligibility was $10,431,169 and $7,319,863, respectively. During the year ended June 30, 2014, the TDA operating funds received was $10,659,834 resulting in an excess amount received of $228,665. The Authority reduced the TDA Operating Receivable at June 30, 2014 in the amount of the excess (see Note 9).

B. Inter Operator Agreements

The Authority receives funding through an arrangement with Bay Area Rapid Transit (BART) for operating assistance applied to certain "feeder bus" services to the Pittsburg/Bay Point BART station. The Authority took over and incorporated such services from BART in 1997 (as detailed in the schedule below).

NOTE 5 – OPERATING GRANTS (Continued)

C. Regional Measure 2 Funds

On March 2, 2004, voters passed Regional Measure 2 (RM2), raising the toll on the seven State-owned toll bridges in the San Francisco Bay Area by $1.00. This extra dollar is to fund various transportation projects within the region that have been determined to reduce congestion or to make improvements to travel in the toll bridge corridors, as identified in SB 916 (Chapter 715, Statutes of 2004). Specifically, RM2 establishes the Regional Traffic Relief Plan and identifies specific transit operating assistance and capital projects and programs eligible to receive RM2 funding. The Bay Area Toll Authority (BATA) is responsible for the collection of the bridge tolls and MTC is responsible for administering the RM2 Program. The Authority is an eligible recipient for RM2 funds and received $531,832 in RM2 funding during fiscal years ended June 30, 2014 and 2013, respectively. The Authority utilized the RM2 funds as operating assistance on a specific, express bus route per the program's requirements.

Operating assistance for the years ended June 30 are summarized as follows:

	2014	2013
Federal Transit Administration		$3,494,880
Transportation Development Act	$10,888,499	7,319,863
State Transit Assistance	1,866,742	2,681,482
Inter-operator agreements (BART)	2,117,053	1,963,547
Measure J	1,135,502	1,018,312
Regional Measure 2	531,835	531,835
Total	$16,539,631	$17,009,919

NOTE 6 - CAPITAL GRANTS

The Authority has received grants from the Federal Transit Administration (FTA) and grants of local transportation funds pursuant to the Transportation Development Act of 1971 (TDA) for the purchase of buses, facility improvements, furniture and fixtures, and supporting equipment.

Expenditures of capital grant funds are allocated based on annual claims filed by the Authority and approved by the MTC. The Authority's management believes that the remaining grants available will be approved in full. These grants (excluding Measure J), less the related amortization, are included in capital contributions.

The Authority's capital contributions for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
U.S. Department of Transportation grant awards	$134,328	$11,038,402
Less: funds used for operating costs		(3,494,880)
Sub-total:	134,328	7,543,522
State grants	9,255	2,994,659
Other	3,587	679,960
Total Capital Contributions	$147,170	$11,218,141

NOTE 7 – MEASURE J

In November 2004, Contra Costa County voters approved Measure J which provided for the continuation of a County half-cent transportation sales tax for 25 more years beyond the original expiration date of 2009 (Measure C). Measure J funding is administered by the Contra Costa Transportation Authority (CCTA). The Authority records Contra Costa County Measure J grants for operations and for capital projects as revenue and capital contributions, respectively, as received.

The Authority is an eligible recipient of Measure J funds and received $1,251,376 and $1,123,424 in Measure J operating assistance during fiscal years ended June 30, 2014 and 2013, respectively, of which $1,135,502 and $1,018,312, respectively, were applied to specific fixed route and para-transit bus services per CCT A's approved program. The remaining amount of $115,874 and $105,112 of Measure J funds for 2014 and 2013, respectively, were "passed through" to the Central Contra Costa Transit Authority (CCCTA) according to an inter-operator agreement that all three agencies entered into to provide Countywide express bus services.

NOTE 8 – PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT

The Public Transportation, Modernization, Improvement and Service Enhancement Account (PTMISEA) is one of the programs included in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act, passed by voters in November 2006. During the fiscal year ended June 30, 2010, the Authority applied for and received $1,802,885 for the procurement of California Air Resource Board (CARB) compliant diesel buses. During the year ended June 30, 2012, the Authority applied for and received $2,922,016. During the year ended June 30, 2014, the Authority received $327,019. The activity during the last four fiscal years was as follows:

	2014	2013	2012	2011
PTMISEA beginning balance	$31,909	$2,953,894	$924,964	$1,087,792
PTMISEA Funds Received	327,019		2,922,016	
Interest Earned	265	13,911	1,680	5,814
Total Revenues	359,193	2,967,805	3,848,660	1,093,606
Expenditures incurred:				
Buses		(2,935,896)	(894,766)	
Shelters	(25,821)			(168,642)
Total Expenditures	(25,821)	(2,935,896)	(894,766)	(168,642)
Unexpended funds at year end	$333,372	$31,909	$2,953,894	$924,964

Of the $1,802,885 in PTMISEA funds received during fiscal year ended June 30, 2010, $882,885 was matched with federal and other funds to procure replacement buses in the normal rotation of revenue vehicle replacement in the near future. The remaining $200,000 are part of the MTC Administered Lifeline project and has been matched with local funds to purchase and install bus shelters as part of the Authority's Bus Shelters and Amenities for Communities of Concern project.

NOTE 9 – TDA RECEIVABLE/PAYABLE

The Authority applies for TDA funds for operating purposes prior to the start of each fiscal year. The application is based on the Authority's annual budget and thus contains an estimate of the Authority's annual operating expenditures and revenues during the next fiscal year. After completion of the annual audit whereby any unapplied funds or funding shortfalls are determined, the Authority either returns TDA funds in excess of those used during the fiscal year or applies for additional TDA funding for the prior fiscal year to make up the shortfall.

A TDA Receivable represents the deficit of TDA operations grants received by the Authority over the allowed expenditures; any deficit amounts are payable to the Authority. A TDA Payable represents the surplus of TDA operations grants received by the Authority over the allowed expenditures. Such surpluses must be returned to the County Local Transportation Fund. The amount of TDA payable or receivable at year end is a provision that the Authority makes to request or return such TDA funds. At the end of fiscal year ended June 30, 2014, the Authority encountered an excess of $228,665 in TDA Operating Funds revenues. As a result, the Authority reduced its TDA Operating Payable by the amount of the excess.

For the years ended June 30, 2014 and 2013, the maximum TDA operating assistance eligible was $10,431,169 and $7,319,863, respectively. The actual TDA operating funds received for the years ended June 2014 and 2013 were $10,659,834 and $8,728,315, respectively. The TDA Payable for the years ended June 2014 and 2013 were $228,665 and $$1,408,452, respectively, and were calculated as follows:

	2014	2013
TDA operating assistance allowable	$10,431,169	$7,319,863
Actual TDA operating assistance received	(10,659,834)	(8,728,315)
(Payable) Receivable	($228,665)	($1,408,452)

NOTE 10 – EMPLOYEE RETIREMENT PLANS

The Authority offers two retirement plans - a 401(a) and a 457(b) plan. The plans are optional. The Authority also offers Other Post Employment Benefits (OPEB).

A. Employees' Retirement Plan

The Authority offers a 401(a) defined contribution pension plan, administered by the Financial Decision group, through Charles Schwab. All full-time employees are eligible for this voluntary program upon successful completion of his or her probation. In order to participate in this voluntary program, an employee must participate in the 457(b) deferred compensation plan (see note 10B), and contribute a minimum of 4% of his or her gross salary, up to a maximum of 25%, or the federally allowed maximum amount of his or her gross compensation, whichever is less.

NOTE 10 – EMPLOYEE RETIREMENT PLANS (Continued)

The Authority makes contributions to the 401(a) plan for each participant depending on the participant's years of service with the Authority as follows:

Less than 10 years	12% of gross salary
10-20 years	13% of gross salary
20-30 years	14% of gross salary
More than 30 years	15% of gross salary

Any changes to the plan and/or contribution requirements must be approved by the Authority's Board of Directors. During fiscal year ended June 30, 2014, the Authority contributed $315,887 to the 401(a) plan on behalf of its participants.

B. Deferred Compensation Plan

The Authority employees may defer a portion of their compensation under an Authority sponsored Deferred Compensation Plan, administered by ICMA, created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the Authority's property and are not subject to Authority control, they have been excluded from these financial statements.

C. Other Post Employment Benefits (OPEB)

The Authority provides postretirement health care benefits to full time administrative employees who retire directly from the Authority after attaining the age of 62 with at least 20 years of service. As of June 30, 2014, there were no participants receiving these health care benefits. The Authority does not anticipate paying any OPEB until fiscal year ending June 30, 2017.

The Authority will pay the entire COBRA Kaiser Health Savings Account (HSA) plan premium for the retired employee and their eligible dependents until the employee reaches age 65, at which time they will qualify for Medicare. The Authority will pay the equivalent of the Kaiser HSA plan premium towards another health insurance policy selected by the employee in place of this plan.

Under the provisions of Governmental Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, the Authority has elected to use an alternative method in calculating its OPEB liability, which is recorded as a noncurrent liability in the Statement of Net Position. The Authority is on a pay-as-you-go funding policy, and uses the following assumptions in calculating the liability on an annual basis: current COBRA Kaiser HSA rate, 10% annual inflation factor, and .5% investment rate of return.

NOTE 11 - CONTINGENT LIABILITIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's legal counsel there is no pending litigation, which is likely to have a material adverse effect on the financial position of the Authority.

The Authority participates in Federal and State grant programs. These programs have been audited by the Authority's independent auditors in accordance with the provisions of the Federal Single Audit Act, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time. The Authority expects such amounts, if any, to be immaterial.

NOTE 12 - MAJOR CONTRACTOR

The Authority has an agreement dated July 30, 2011 with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through June 30, 2016. Expenses recorded under this contract amounted to $11,147,718 and $11,028,322 for fiscal years ended June 30, 2014 and 2013, respectively, and are recorded as purchased transportation.

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Members of the Board of Directors of
Eastern Contra Costa Transit Authority
Antioch, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Eastern Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2014. Our opinion included emphasis of matter paragraphs disclosing the effect of the implementation of new accounting principles.

Internal Control Over Financial Reporting

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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. Our procedures included the applicable audit procedures contained in §6667 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated November 13, 2014, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 communication is not suitable for any other purpose.

Maze & Associates

November 13, 2014
Pleasant Hill, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE RULES AND REGULATIONS OF THE PUBLIC TRANSPORTATION MODERNIZATION IMPROVEMENT AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA)

Honorable Members of the Board of Director of the
Eastern Contra Costa Transit Authority
Antioch, California

We have audited the statement of revenues and expenditures of the Eastern Contra Costa Transit Authority Public Transportation Modernization, Improvement and Service Enhancement Account Projects, a program of the Eastern Contra Costa Transit Authority, California, (the Authority) in accordance with generally accepted auditing standards in the United States of America as of and for the year ended June 30, 2014, and have issued our report thereon dated November 13, 2014.

In connection with our audit, we have read and performed the applicable audit procedures contained in the *Public Transportation Modernization, Improvement and Service Enhancement Account Guideline* (Guideline) adopted by the California of Department of Transportation.

Internal Control over Financial Reporting

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

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated November 13, 2014, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 communication is not suitable for any other purpose.

Maze & Associates

November 13, 2014
Pleasant Hill, California