

**EASTERN CONTRA COSTA  
TRANSIT AUTHORITY**

**Independent Auditor's Report,  
Financial Statements,  
Supplemental Information, and  
Single Audit Reports**

**Years Ended June 30, 2010 and 2009**

**EASTERN CONTRA COSTA TRANSIT AUTHORITY**

**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

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**INDEPENDENT AUDITORS' REPORT**

The Board of Directors,  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited the accompanying financial statements of the Eastern Contra Costa Transit Authority (Authority), also known as Tri Delta Transit, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2010 and 2009 and the changes in its financial position and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010, on our consideration of the Authority's internal control over financial reporting and 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 testing of internal control over financial reporting and compliance and the results of that testing, and not 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 Procedures* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, listed on pages 2 through 5, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Auditing Standards Board, who considers it to be an essential part of financial reporting. 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 principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



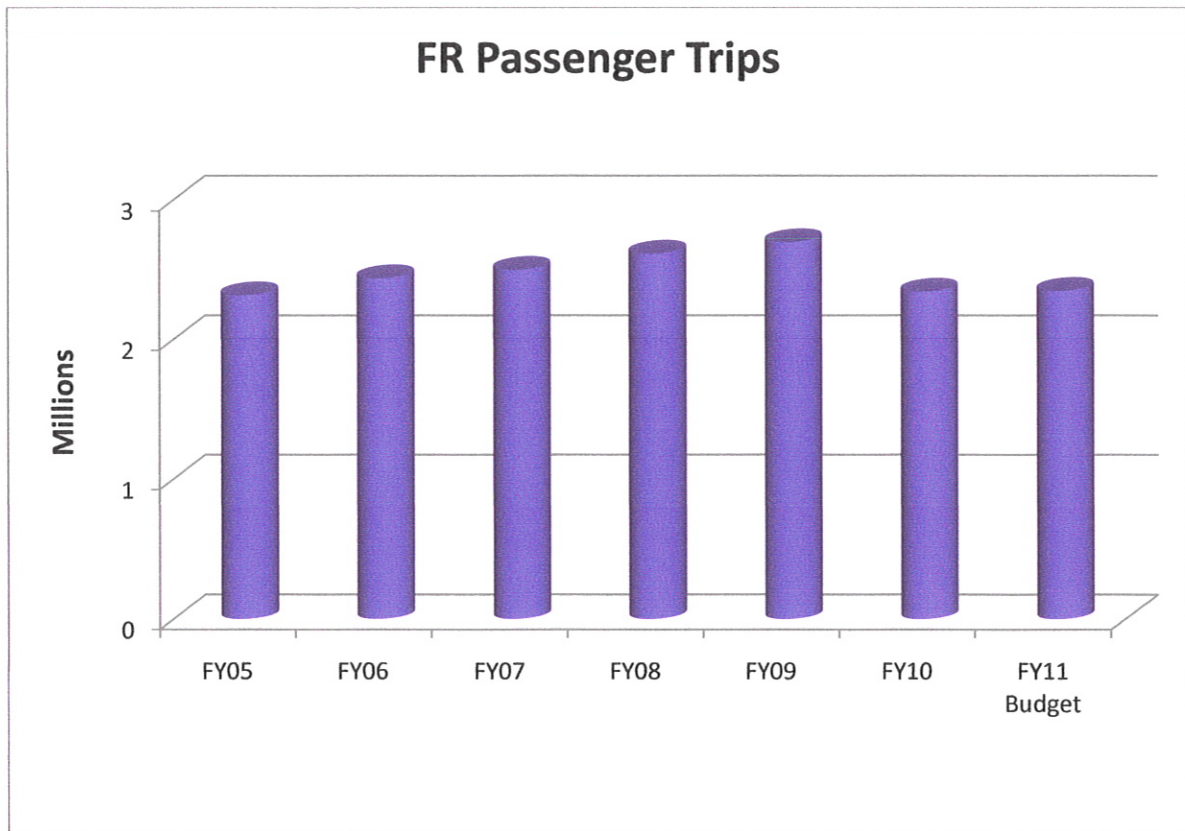
Clay, Millias & Co., LLP  
November 23, 2010



## MANAGEMENT'S DISCUSSION AND ANALYSIS

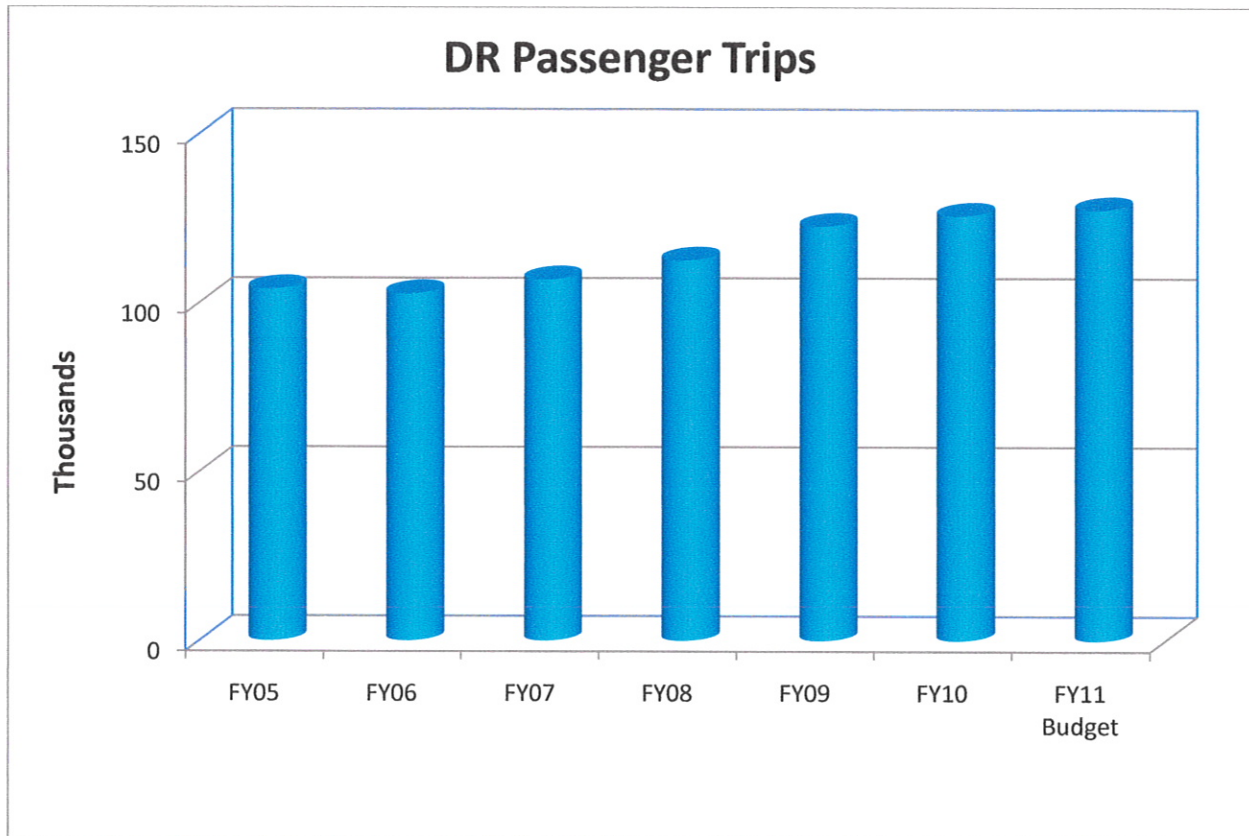
### OPERATIONS

Fixed route ridership has fallen in concert with increasing unemployment in the ECCTA service area due to the economic malaise. FY10 ridership dropped to a level not seen since fiscal year 1995 after four years of continuing improvement.





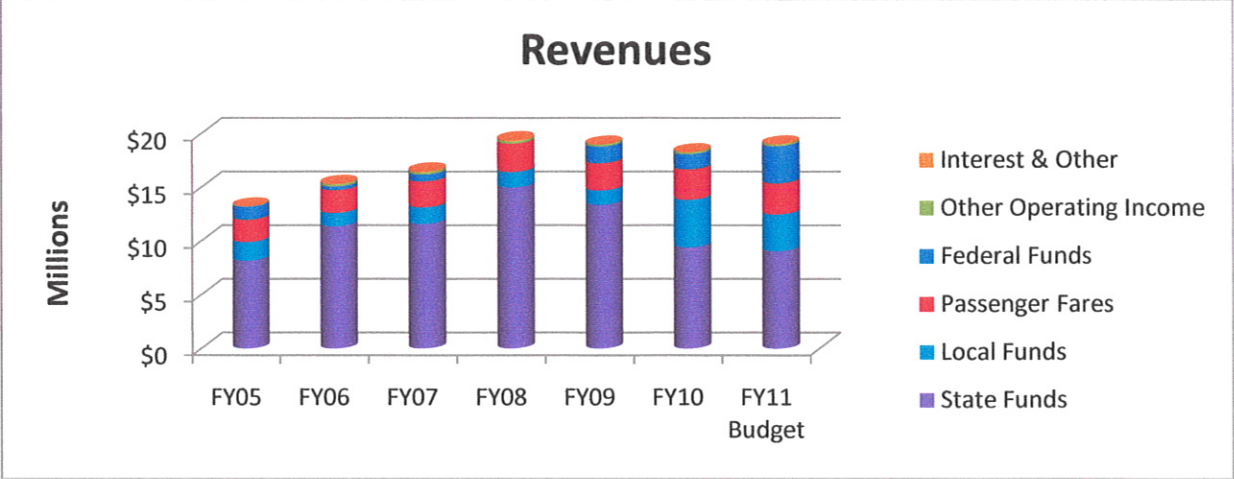
The more expensive-per-trip demand responsive service continues to increase ridership at an average of 4% per year as the ADA eligible and senior population in the Authority's service area increases proportionately. This places additional demands on ECCTA's resources.



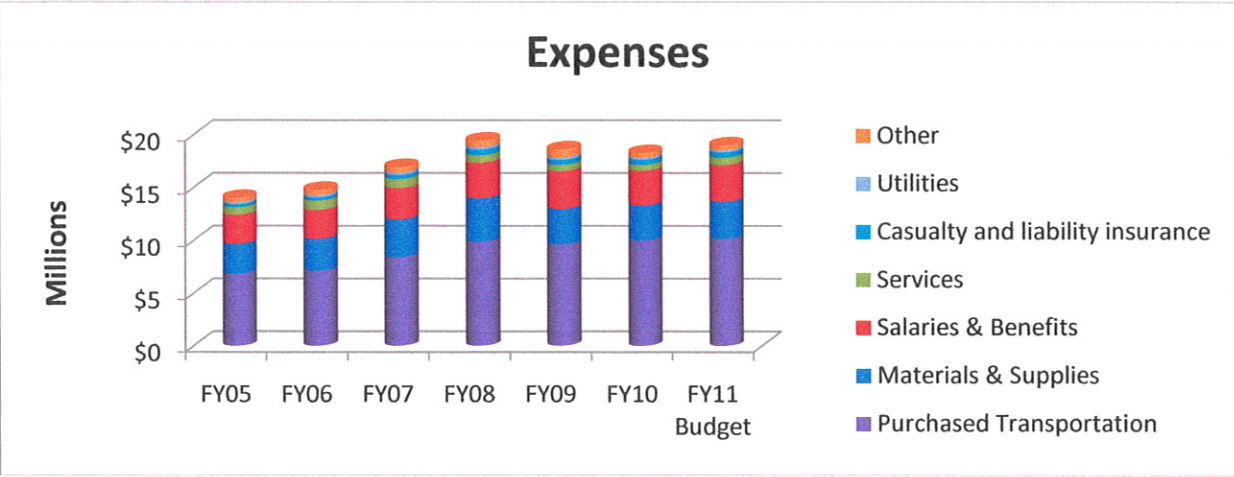
## FINANCIAL

Eastern Contra Costa Transit Authority finances have been vulnerable to the effects of the recession, as a significant portion of the Authority's funding is derived from sales tax related Transportation Development Act funding (TDA & STA). During the past fiscal year, proposed State budget balancing strategies included severely reducing or eliminating the State Transit Assistance fund. In the end, the STA funding was restored.

The Authority received \$1,400,000 in American Reinvestment and Recovery Act funds designated for operational use in FY10 and will receive an additional \$1,911,232 of such funds in FY11. These funds have significantly contributed to the Authority's ability to operate as a going concern.



ECCTA’s overall financial position remains better than that of many other California transit agencies due to the Authority’s retention of a substantial TDA reserve. The Authority was able to avoid sudden service reductions by judicious trimming of staff positions through attrition and a voluntary layoff program combined with strategic service adjustments in front of funding shortfalls. This proactive approach to financial management allowed the Authority to minimize impacts on existing transit patrons.



The Authority plans to rebuild its TDA reserves by constraining operating costs to amounts less than total available operating funding over the course of several years. Service increases will be considered only where demand dictates and funding growth allows such additions. The Authority does not anticipate significant changes in future operation funds availability. It is anticipated that service would remain at current levels for the next few years with changes being limited to tradeoffs between the least productive runs and more efficient ones.

## **CAPITAL**

The Authority's funding for operations, the Authority has continued to move forward on long range capital projects for which funding was appropriated. Significant projects that the Authority continues to work on include:

- \$3.7M Replacing and upgrading revenue vehicles on schedule
- 3.8M Purchasing and developing park and ride facilities
- 1.0M Replacing electronic office equipment
- 0.8M Replacing service vehicles, shop equipment and facility repairs

## **OTHER POTENTIALLY SIGNIFICANT MATTERS**

The authority has been actively pursuing expense reductions in order to maintain existing services where possible. The least productive services have been adjusted or eliminated as necessary. Additional sources of funding for both operations and capital acquisitions during this difficult economic period are being sought. A return to the levels of service provided in recent years would require an overall recovery in economic activity such that sales tax revenue generation return to pre-recessionary levels. Limited funding applied to increasing costs could bring pressure on the Authority to reduce services. Service expansions are improbable in the short range and are dependent on Federal and State public transit funding policies in the long range.

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS:		
Unrestricted assets:		
Cash and investments	\$ 3,355,625	\$ 2,498,112
Operating receivable	235,907	-
Grant revenue receivable	66,160	249,955
Other receivables	156,944	95,628
Maintenance inventories and supplies- cost	660,253	688,241
Total unrestricted net assets	<u>4,474,889</u>	<u>3,531,936</u>
Restricted assets:		
PTMISEA reserves	1,087,792	-
CTSGP reserves	47,502	-
Measure C reserves	69,683	169,054
Total unrestricted net assets	<u>1,204,977</u>	<u>169,054</u>
Total current assets	<u>5,679,866</u>	<u>3,700,990</u>
NONCURRENT ASSETS:		
Capital assets not being depreciated	1,920,808	1,902,808
Capital assets being depreciated, net	15,443,504	16,125,008
Total Noncurrent Assets	<u>17,364,312</u>	<u>18,027,816</u>
TOTAL ASSETS	<u>\$ 23,044,178</u>	<u>\$ 21,728,806</u>
<u>LIABILITIES:</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,980,293	\$ 1,199,315
TDA payable	-	363,472
Accrued liabilities	859,738	774,499
Other payables	150	19,224
Total current liabilities	<u>2,840,181</u>	<u>2,356,510</u>
NET ASSETS:		
Capital invested	19,877,165	17,879,169
Unrestricted	(878,145)	1,324,073
Temporarily restricted net assets	1,204,977	169,054
Total Net Assets	<u>20,203,997</u>	<u>19,372,296</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,044,178</u>	<u>\$ 21,728,806</u>

*See accompanying notes to financial statements.*

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Passenger fares	\$ 2,841,014	\$ 2,535,780
Other operating income	<u>173,556</u>	<u>193,606</u>
Total Operating Revenues	<u>3,014,570</u>	<u>2,729,386</u>
OPERATING EXPENSES:		
Purchased transportation	9,993,425	9,608,614
Materials and supplies	3,308,793	3,355,838
Salaries and benefits	3,269,314	3,578,125
Services	571,856	607,711
Casualty and liability insurance	480,152	458,071
Utilities	180,995	233,625
Other	505,947	808,272
Depreciation	<u>2,487,213</u>	<u>2,566,215</u>
Total Operating expenses	<u>20,797,695</u>	<u>21,216,471</u>
OPERATING LOSS	(17,783,125)	(18,487,085)
NONOPERATING REVENUES:		
Federal grant revenues	1,400,000	1,550,786
State grant revenues	9,443,990	13,397,441
Local grant revenues	4,423,542	1,333,113
Non-transportation revenues	29,333	68,497
Gain (loss) on sale of equipment	-	(55,581)
Total Nonoperating Revenues	<u>15,296,865</u>	<u>16,294,256</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TDA OPERATING GRANT DEFICIT (SURPLUS)	(2,486,260)	(2,192,829)
CAPITAL CONTRIBUTIONS	3,317,961	3,680,872
TDA OPERATING GRANT DEFICIT (SURPLUS)	<u>-</u>	<u>(363,472)</u>
INCREASE (DECREASE) IN NET ASSETS	831,701	1,124,571
NET ASSETS, Beginning of year	<u>19,372,296</u>	<u>18,247,725</u>
NET ASSETS, End of year	<u>\$ 20,203,997</u>	<u>\$ 19,372,296</u>

*See accompanying notes to financial statements.*



EASTERN CONTRA COSTA TRANSIT AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 JUNE 30, 2010 AND 2009

<u>STATEMENT OF CASH FLOWS</u>	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from passenger fares	\$ 2,733,152	\$ 2,566,834
Cash received from operations- other	173,556	193,606
Cash payments for purchased transportation	(9,936,510)	(9,533,954)
Cash payments to employees for services	(3,729,660)	(4,113,387)
Cash payments to suppliers for goods and services	<u>(3,797,169)</u>	<u>(4,828,153)</u>
Net cash used in operations	<u>(14,556,631)</u>	<u>(15,715,054)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
State operating grants	9,254,629	13,397,441
FTA grants	1,400,000	1,550,786
Local grants	4,423,542	1,333,113
Other	<u>928,681</u>	<u>64,100</u>
Net cash provided (used in) financing activities	<u>16,006,852</u>	<u>16,345,440</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital contributions received	2,181,791	3,362,334
Grants receivable/payable	56,402	394,010
Restricted reserves	(1,035,923)	391,201
Purchase of capital assets	<u>(1,823,709)</u>	<u>(4,280,169)</u>
Net cash provided (used in) capital and related financing activities	<u>(621,439)</u>	<u>(132,624)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment income received	<u>28,731</u>	<u>68,497</u>
Net Cash Provided by (used in) Investing Activities	<u>28,731</u>	<u>68,497</u>
<b>NET INCREASE (DECREASE) IN CASH EQUIVALENTS</b>	857,513	566,259
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>2,498,112</u>	<u>1,931,853</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u><u>\$ 3,355,625</u></u>	<u><u>\$ 2,498,112</u></u>

*See accompanying notes to financial statements*

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 JUNE 30, 2010 AND 2009

<u>STATEMENT OF CASH FLOWS</u>	<u>2010</u>	<u>2009</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	\$ (17,783,125)	\$(18,487,085)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,487,213	2,566,215
Effect of changes in:		
Other receivables	(107,862)	2,607
Maintenance inventories and supplies	-	-
Accounts payable	780,978	108,342
Accrued liabilities	66,165	94,867
Accrued compensated absences	-	-
	<u>-</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (14,556,631)</u>	<u>\$(15,715,054)</u>

*See accompanying notes to financial statements*

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**1. ORGANIZATION**

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 and Brentwood, and within the unincorporated area of Eastern 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 city of Oakley.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

Enterprise Fund - The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs and expenses, including depreciation, of providing goods or services to the general public be financed or recovered primarily through user charges.

Basis of accounting - The financial activities of the Authority are accounted for under the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

Cash Equivalents- The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents (see note 3).

Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (see Note 3).

Temporarily Restricted Assets- consists of monies and other resources which are legally restricted (see Notes 4).

Capital Assets- Major additions and replacements are capitalized. Maintenance, repairs and additions of a minor nature are expensed as incurred. The cost of acquisition and construction of equipment and facilities are recorded in construction in progress until such assets are completed and placed into service, at which time the Authority commences recording depreciation expense.

Depreciation- is calculated on the straight-line method over the following estimated useful lives:

Building and structures	30 years
Transit vehicles	6 -14 years
Shop, office & other equipment & service vehicle	5-10 years

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**2. SIGNIFICANT ACCOUNTING POLICIES-continued**

Contracted services - The Authority has contracted with First Transit, Inc., a private transit firm, to provide transportation management and operations services on behalf of the Authority through the year ending June 30, 2011. The costs associated with this contract are recorded as purchased transportation.

Insurance- The Authority is insured for premises and operational bodily injury and property damage up to a limit of \$12,100,000. In addition, First Transit, Inc., as per contract (see contracted services above), provides general liability insurance with primary coverage of \$20,000,000.

Operating assistance grants- are recorded as revenue when earned.

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 with 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 property and equipment acquisition and facility development and rehabilitation are reported in the statement of revenues, expenses and changes in net assets, after non-operating revenues and expenses as capital contributions.

Operating revenues and expenses – consists of those revenues that result from ongoing principal operations of the Authority. Operating revenues consists primarily of transit fares. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from non-exchange transactions.

Net Assets – comprise the various net earnings from operating income, non-operating revenues, expenses and capital contributions. Net assets are classified in the following three components:

*Capital invested* – This component of net assets consists of capital assets, net of accumulated depreciation.

*Restricted* – This component of net assets consists of external constraints imposed by creditor's, grantor's, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restrict the use of net assets.

*Unrestricted* – this component of net assets consists of net assets that do not meet the definition of "restricted" or "invested capital".

Compensated absences – Accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue to employees.

Retirement plans – The Authority offers two plans to its employees (Note 10).

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**2. SIGNIFICANT ACCOUNTING POLICIES-continued**

Measure C grants for operations and for projects funded through the Bus Transit and Coordination Program are recorded as revenue and contributed capital, respectively, as received.

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 (see Note 5).

TDA Payable - represents the surplus of TDA operations grants received by the Authority over the allowed expenditures. Such surpluses must be returned to (see Note 5).

Use of estimates - The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification - The June 30, 2009 financial statements have been reclassified to conform to the June 30, 2010 financial statements presentation.

**3. CASH AND INVESTMENTS**

At June 30, 2010 and 2009, the Authority's carrying value of cash time and demand deposits was \$3,355,625 and \$2,498,112 respectively with corresponding bank balances of \$3,540,636 and \$4,308,833 respectively. Statutes authorize the Authority to invest in various instruments including, but not limited to, obligations of the U. S. Treasury, Certificates of Deposit, Bankers Acceptances, Repurchase Agreements, and the State Treasurer's Pool. The Authority's investments, carried at cost, at June 30, 2010 of \$1,204,977 consist entirely of restricted assets (see Note 4) and are invested in the Bank of Agriculture and Commerce and collateralized with securities by the pledging financial institution's agent in the Authority's name).

Custodial credit risk- is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The California Government Code requires California banks and savings and loans associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the Authority's deposits.

**4. RESTRICTED INVESTMENTS**

PTMISEA - The Public Transportation, Modernization, Improvement and Service Enhancement Account 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 9). The balance at June 30, 2010 was \$1,087,792.

CTSGP - The California Transit Security Grant Program 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 9). The authority is applying these funds to eligible capital expenditures for interoperable communications and physical security enhancement equipment. The balance at June 30, 2010 was \$47,502.



**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**4. RESTRICTED INVESTMENTS-continued**

Measure C - The Contra Costa Measure C- Para-transit Reserve Funds is maintained per the Contra Costa Transit Authority (CCTA) Cooperative Agreement between the Authority and CCTA. The CCTA agreement requires that the Authority maintains a separate account for Measure C Funds and, the funds (principal and interest) are to be used for approved para-transit expenditures. The balance at June 30, 2010 was \$69,683.

**5. OPERATING ASSISTANCE**

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 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, 2010 and 2009, the maximum TDA operating assistance eligibility was \$8,693,009 and \$10,965,083 respectively. During the year June 30, 2010 the TDA operating funds received were \$8,273,135 resulting in a deficit of \$419,874 (see Note 11).

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 "feeder bus" services from BART in 1997.

RM2 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 Regional Measure 2 program. The Authority is an eligible recipient for RM2 funds and received \$531,835 in RM2 funding during fiscal year 2010. The Authority utilized the RM2 funds as operating assistance on a specific, express bus route per the program's requirements.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**5. OPERATING ASSISTANCE-continued**

Operating assistance for the years ended June 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Federal Transit Administration	\$ 1,400,000	\$ 1,550,786
Transportation Development Act	8,693,009	11,328,554
State Transit Assistance	750,981	2,068,887
Inter-operator agreements (BART)	3,109,229	-
Measure C - (Note 8)	-	801,279
Measure J - (Note 8)	782,478	-
RM2 Funds	531,835	531,834
Total	<u>\$ 15,267,532</u>	<u>\$ 16,281,340</u>

**6. CAPITAL GRANTS**

The Authority has received grants from the Federal Transit Administration (FTA) for the purchase of buses, facility improvements, and supporting equipment. The Authority also receives grants of local transportation funds pursuant to the Transportation Development Act (TDA) of 1971, primarily for: the acquisition of buses and support equipment, purchase of furniture and fixtures, and other 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 C), less the related amortization, are included in contributed capital.

The Authority's capital contributions for the years ended June 30, 2010 and 2009 are as follows:

Capital contributions in June 30, 2009	
U.S. Department of Transportation	\$ 4,421,353
TDA Development Act	438,549
Other	371,756
Total capital contributions	\$ 5,231,658
Less: U.S. Department of Transportation	
Funds used for operating costs	(1,550,786)
Total	<u>\$ 3,680,872</u>
Capital contributions in June 30, 2010	
U.S. Department of Transportation	\$ 3,131,392
TDA Development Act	246,223
Other	20,381
Total capital contributions	\$ 3,397,996
Less: U.S. Department of Transportation	
Funds used for operating costs	(1,400,000)
Total	<u>\$ 1,997,996</u>

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**7. CAPITAL ASSETS**

Capital assets of the Authority at June 30, 2010, consist of the following:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Land	\$ 1,902,808	\$ 18,000		\$ 1,920,808
Building & improvements	11,986,522	75,142	-	12,061,664
Transit vehicles	25,653,297	257,124	-	25,910,421
Equipment/service vehicles	4,027,417	1,473,443	-	5,500,860
Total asset cost	<u>43,570,044</u>	<u>1,823,709</u>	-	<u>45,393,753</u>
Less: Accumulated depreciation				
Buildings & Improvements	4,480,718	426,850	-	4,907,568
Transit Vehicles	18,014,456	1,843,688	-	19,858,144
Equipment	3,047,054	216,675	-	3,263,729
	<u>25,542,228</u>	<u>2,487,213</u>	-	<u>28,029,441</u>
Net capital assets	<u>\$ 18,027,816</u>	<u>\$ (663,504)</u>	<u>\$ -</u>	<u>\$ 17,364,312</u>

**8. MEASURE C/J FUNDS**

Measure C - The Authority entered into a cooperative agreement with the Contra Costa Transportation Authority pursuant to the Contra Costa County Measure C for improvement of bus transit in Contra Costa County through the Bus Transit Improvement and Coordination Program for the improvement of para-transit service through the Elderly and Handicapped Transit Service Program.

The Authority is to apply funds received under the agreement, and interest accrued thereof, for projects and operations specified by the Contra Costa Transportation Authority and to refund any unexpended funds. The operating grant funds received for FY 10 and FY 09 amounted to \$-0- and \$801,279 respectively. In addition, \$99,371 of Measure C reserves were used for operating costs for FY2010. The total amount of Measure C reserve funds remaining at June 30, 2009 were \$69,683. Measure C has expired and the Authority is spending the last of the reserve funds on hand.

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 is an eligible recipient of Measure J funds and received \$869,064 in Measure J operating assistance during fiscal year 2010, \$782,478 of which was applied to specific fixed route and para-transit bus services per CCTA's approved program. The remaining \$86,586 of Measure J funds that the Authority received 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

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**9. 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, 2008, the Authority applied for and received \$607,111 for the procurement of eight CARB compliant diesel buses. The funds were not used during the year ended June 30, 2008 and were reported as temporarily restricted assets. The funds were expended during the year ended June 30, 2009 as follows:

Proceeds received:	2010	2009
PTMISEA	\$ 1,082,885	609,670
Interest earned	4,907	6,282
	<u>1,087,792</u>	<u>615,952</u>
Expenditures incurred:		
Bus purchases	<u>-</u>	<u>(615,952)</u>
Unexpended funds at year end	<u>\$ 1,087,792</u>	<u>\$ -</u>

Of the \$1,082,885 in PTMISEA funds received during FYE 2010, \$882,885 will be 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 will be 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.

**10. EMPLOYEES' RETIREMENT PLAN**

The Authority offers two plans, a 401(a) and a 457(b) plan. The plans are optional. However, in order to participate in the 401(a) plan full-time eligible employees must contribute a minimum of 4% up to a maximum 25% of their eligible compensation subject to certain limitations in the 457(b) plan. The Authority will make contributions ranging from 12% - 17% based upon the employee's years of services and classification, provided that the employee participates in the 457(b) plan at the 4%.

**11. 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. The amount of TDA payable or receivable at year end is a the provision that the Authority makes to request or return such TDA funds. At the end of fiscal year 2010, the Authority has encountered a shortfall of \$419,874 in revenues that the Authority is eligible to claim as additional TDA funds.

**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED JUNE 30, 2010 AND 2009**

**11. TDA RECEIVABLE/PAYABLE-continued**

For the years ended June 2010 and 2009 the maximum TDA operating assistance eligible was \$8,693,009 and \$10,965,083 respectively. The actual TDA operating funds received for the years ended June 2010 and 2009 were \$8,273,135 and \$11,328,554 respectively. The TDA (Receivable) and Payable at the years ended June 2010 and 2009 were \$419,874 and \$(363,471) respectively and are arrived at as follows:

	<u>2010</u>	<u>2009</u>
TDA operating assistance allowable	\$ 8,693,009	\$ 10,965,082
Actual TDA operating assistance received	(8,273,135)	(11,328,554)
(Payable) Receivable	<u>\$ 419,874</u>	<u>\$ (363,472)</u>

**12. COMPENSATED ABSENCES**

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums, depending on the tenure with the Authority. Sick leave accrues to full-time, permanent employees to specified maximums after six months of service. A full-time employee who has been employed by the Authority for a at least twenty years and is fifty-nine years old when retiring, may sell accumulated paid sick hours to the Authority, at their current rate of pay.

The estimated current portion of the liability for vested vacation and sick leave benefits are recorded as expenditure and corresponding liability.

**13. POST EMPLOYMENT HEALTH CARE BENEFITS**

The Authority provides post-employment health care benefits to certain employees. The Authority accrues the liability for future post-employment benefits under the guidelines of GASB Statement No. 45. The benefits are provided to all employees who retire from the Authority on or after attaining age 62 with at least 10 years of service. The Authority will pay 100% of the current Kaiser premium rate for a full-time employee toward any medical plan selected by the qualifying former employee. The benefit will continue until the retired employee reaches the age to qualify for Medicare. There were no postretirement health care benefits paid during the 2010 and 2009 year.

As of June 30, 2010, the Authority had projected the post health care benefit costs would begin in the year ending June 30, 2017.

**14. CONCENTRATIONS**

The authority receives a substantial amount of its support from a statewide retail sales tax from the Local Transportation Fund and State Transit Assistance Fund created by the TDA. A significant reduction in the level of this support, if this was to occur, may have a significant effect on the operations of the Authority.

In addition, the authority also received a significant amount of funding (5,118,120) from the federally created American Recovery and Reinvestment Act over the past two years. This was a special one-time only funding and is not anticipated to be re-enacted or replaced.



**EASTERN CONTRA COSTA TRANSIT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010 AND 2009**

**15. CONTINGENCIES**

The Authority receives funding from the Federal Transit Administration that is subject to review and audit. Such audits could result in a request for reimbursement for expenses disallowed under the terms and conditions of the contracts. It is the opinion of management that no material liabilities will result from such potential audits.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF THE TRANSPORTATION COMMISSION**

The Board of Directors,  
Eastern Contra Costa Transit Authority:

We have audited the financial statements of the Eastern Contra Costa Transit Authority (the Authority) as of June 30, 2010 and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests of the Authority's compliance with certain provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission required by section 6667 of the TDA Act. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Based on the results of our tests, with respect to the items tested, the Authority complied in all material respects, with the provisions referred to above. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those provisions

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements. 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, 2008, the Authority applied for and received \$607,111 for the procurement of eight CARB compliant diesel buses. As of June 30, 2009 the PTMISEA funds received in FYE 2008 and expended in FYE2009 and funds received for FYE 2010 were verified in the course of our audit as follows:

Proceeds received:	2010	2009
PMISEA - Funds Received	\$ 1,082,885	\$ 609,670
Interest earned	4,907	6,282
	<u>1,087,792</u>	<u>615,952</u>
Expenditures incurred:		
Bus purchases	-	(615,952)
Unexpended funds at year end	<u>\$ 1,087,792</u>	<u>\$ -</u>

This report is intended for the information of the Board of Directors, Authority management and officials of the applicable grantor agencies. However, this report is a matter of public record and its distribution is not limited.

*Clay Millias & Co., LLP*

Clay, Millias & Co., LLP  
November 23, 2010

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
SCHEDULE OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Ident. Number	Federal Expenditures
U.S. Department of Transportation:			
Project # CA-90-Y664	20.507	n/a	\$ 733,973
Project # CA-90-Y377	20.507	n/a	177,864
Project # CA-04-0076	20.507	n/a	9,364
Project # CA-96-X005	20.507	n/a	810,191
Project # CA-96-X055	20.507	n/a	1,400,000
Total			<u>\$ 3,131,392</u>

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eastern Contra Costa Transportation Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented may differ from amounts presented, or used in the preparation of, the basic financial statements.

EASTERN CONTRA COSTA TRANSIT AUTHORITY  
Schedule of Findings And Questioned Costs  
June 30, 2010

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Eastern Contra Costa Transit Authority.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Eastern Contra Costa Transit Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal programs for the Eastern Contra Costa Transit Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested included the Federal Transit Capital Grants CFDA# 20.507.
8. The threshold used for distinguishing between Type A and B Programs was \$300,000.
9. Eastern Contra Costa Transit Authority qualified as a low-risk auditee.

**FINDINGS AND QUESTIONED COSTS**

FINANCIAL STATEMENTS

NONE

MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

NONE



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors,  
Eastern Contra Costa Transit Authority  
Antioch, California

We have audited the financial statements of the Eastern Contra Costa Transit Authority (Authority), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material 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 statements 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated November 23, 2010.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
Clay, Millias & Co., LLP  
November 23, 2010

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors,  
Eastern Contra Costa Transit Authority  
Antioch, California

Compliance

We have audited the Eastern Contra Costa Transit Authority's (Authority) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing other such procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, Eastern Contra Costa Transit Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Authority's is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered of the Authority's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for 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 does not allow management or employees, in the course of performing their assigned functions, to prevent, detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the audit committee, management, Metropolitan Transportation Commission, State Controller of California, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Clay, Millias & Co., LLP  
November 23, 2010