

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR END  
JUNE 30, 2013



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**LIVERMORE AMADOR VALLEY  
TRANSIT AUTHORITY  
LIVERMORE, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2013**

**PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT**

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November 4, 2013

**The Board of Directors  
Livermore Amador Valley Transit Authority**

We are pleased to present the Comprehensive Annual Financial Report of the Livermore Amador Valley Transit Authority (the Authority) for the fiscal year July 1, 2012 through June 30, 2013.

This report has been prepared by the Administrative Services Department following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with generally accepted accounting principles for state and local governmental entities established by the Governmental Accounting Standards Board (GASB). General accepted accounting principles require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors. Responsibility for the accuracy, completeness and fairness of the presented data and the clarity of presentation, including all disclosures, rests with the management of the Authority.

In accordance with the above-mentioned guidelines, the accompanying report consists of four sections:

1. The *Introductory Section* contains this letter of transmittal, a discussion of the Authority's operations, accomplishments and future goals and projects, a list of principal officials and the Authority's organization chart.
2. The *Financial Section* begins with the Independent Auditors' Reports and Financial Statements. The notes, an integral part of the Financial Statements, are intended to further enhance an understanding of the Authority's current financial status.
3. The *Statistical Section* provides information that is useful for understanding the Authority's financial condition and depicting the past 10 years of history and financial and operational trends of the Authority.
4. The *Compliance Section* includes the Auditors' reports required under the federal Single Audit Act, State Transportation Development Act, and Measure B, and it provides assurance of the Authority's compliance with those laws and related regulations

## **BACKGROUND INFORMATION**

### ***History***

In 1985, the County of Alameda joined with the Cities of Livermore, Pleasanton and Dublin to execute a Joint Powers Agreement (JPA), pursuant to Government Code 6500 et. seq., creating the Livermore Amador Valley Transit Authority. Under the JPA, the Authority's charter was to provide public transit service in the Livermore Amador Valley without the imposition of any new local taxes.

The existing Wheels system is an outgrowth of the transit services previously operated in Livermore (City of Livermore-RIDEO) and Pleasanton/Dublin. The services in the three cities were consolidated under the Authority in 1987.

The Authority has come a long way over the years. In early 1990 the fixed route fleet was upgraded with the delivery of 34 new Gillig buses. That year almost 680,000 passengers were transported at a rate of 10.3 people per hour. Today, the Authority's fixed route fleet has 74 buses. The fleet includes the vehicles for local fixed route and bus rapid transit (BRT) service and in 2012/2013 the Authority transported over 1.72 million passengers.

### ***The Authority***

The Authority's reporting entity includes only the Authority; it is legally separate and financially independent as defined in the Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity." No other entity exists for which the Authority exercises oversight responsibility or has a special financing arrangement.

The Authority operates under the name Wheels and serves residents located in the Cities of Livermore, Dublin and Pleasanton, and some unincorporated areas (Tri-Valley Area). The mission of the Livermore Amador Valley Transit Authority is to provide equal access to a variety of safe, customer oriented, reliable, and affordable public transportation choices, increasing the mobility and improving the quality of life of those who live or work in and visit the Tri-Valley area.

As a Joint Powers Authority, a seven-member Board of Directors governs the agency. Two elected officials are appointed from each city's City Council, and the County Board of Supervisors appoints one member. Directors meet once a month to determine overall policy for the Authority. Monthly committee meetings provide oversight in two areas: finance and administration; and projects and services. Additional input to the Board comes from a nine-member Wheels Accessibility Advisory Committee representing the interests of the elderly and disabled.

The Executive Director oversees the general operations of the transit system in accordance with the policy direction prescribed by the Board of Directors. During the 2013 fiscal year, a Director of Administrative Services, Director of Planning and Communications, Finance and Grants Manager, Marketing Specialist, Transit Planner, AVL Scheduling and Transit Applications Analyst, Paratransit Planner, Grants and Finance Analyst, Community Outreach Coordinator, Administrative Assistant, Accounting Assistant, and three Customer Service Representatives supported the Executive Director.

Since its formation, the Authority has contracted with private companies for the day-to-day operation of its services. Fixed route and vehicle maintenance were provided under contract with MV Transportation, Inc. Paratransit services were provided under contract with American Logistics Company.

The Authority's Strategic Plan outlines the Goals, Objectives and Performance Standards and establishes a strategic process to implement and monitor the programs and policies of the Authority. The Strategic Plan also provides the basis for the operating budget and ten-year capital improvement program.

### ***Services***

The Livermore Amador Valley Transit Authority provides local public transit services to the cities of Dublin, Livermore, and Pleasanton and to the adjacent unincorporated areas of Alameda County. The service area covers approximately 40 square miles and has 202,002 residents. The service area is divided into two sub-areas: Pleasanton/Dublin and Livermore. Three miles of lightly developed industrial and agricultural land separate these two sub-areas.

The Authority provides the following transportation services: Fixed Route (Wheels) Service and Demand Responsive Paratransit Service (Dial-A-Ride) to senior and disabled persons.

The Wheels Fixed Route system consists of the following services:

Wheels	Local and sub-regional fixed route system.
Rapid	Local and sub-regional bus rapid transit system
Shuttles	Local shuttles serving the ACE Rail and BART stations.

Wheels fixed route service runs 365 days per year. On an average weekday, the Authority's fixed route fleet carries an average of 6,098 passengers. Fixed route ridership had been increasing over the years since a FY2001 drop; flattening out in FY2009, decreasing in FY2010, and increasing in FY2011 and FY2012. For FY2013, at 1,727,085 passengers, it is almost a 1.3% decrease from FY2012. Passengers per hour, a measure of system efficiency, decreased slightly from 14.1 in FY2012 to 13.9 in the current year.

LAVTA's newest fixed-route service, the Rapid, launched in January 2011 and features 15-minute service. The primary goal of the service is to connect major Tri-Valley employment, retail, medical, and civic locations with fast and efficient bus service. The Rapid features frequent service, limited bus stops, transit signal priority, improved bus stop amenities including real-time arrival signs, new buses, and unique branding.

The Authority's fixed route service is supplemented by Dial-A-Ride paratransit service, which transported 45,704 mobility-impaired patrons in FY2013 on approved vehicles provided by the contracted paratransit provider. While the number of passengers increased over the past year, there was a decrease during the past four years.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROLS**

The Authority is accounted for as a single enterprise fund using the accrual method of accounting. In developing and evaluating the accounting system, emphasis is placed on the adequacy of internal accounting controls.

### ***Internal Accounting Controls***

Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition; and
2. The reliability of financial records used in preparing financial statements and accounting for assets.

The concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### ***Cash Management***

The Authority investment objectives are to minimize market risks while maintaining a competitive yield on its portfolio. The Authority's practice is to limit its investments to the State of California Local Agency Investment Fund (LAIF).

All cash deposits are either insured by the Federal Depository Insurance Corporation or collateralized by U.S. Government Securities. The depositories are required by State law to maintain a collateral pool of securities with market value in excess of 110% of the amount of the deposit.

### ***Budgetary Controls***

Although not legally required to do so, the Authority adopts an annual operating and capital budget. The Board of Directors has unlimited authority to approve or amend the adopted budget. The budget is based on Authority goals and objectives adopted annually by the Board of Directors as part of the budget process as well as the Strategic Plan originally adopted December 2005, and reviewed annually. The balanced budget, with adequate reserves to cover excess expenses over revenues, is adopted by resolution in June.

Budgetary control is maintained at the department level for each operating department and at the project level for each capital project. The Executive Director must authorize overruns within a department. Any overruns of the Authority as a whole require a budget revision and must be authorized by the Board of Directors.

### ***Risk Management***

On May 1, 2000, the Authority became a member of the California Transit Insurance Pool (CalTIP), a joint powers authority that provides annual general liability and physical damage coverage up to \$10,000,000 in the aggregate. The authority has a \$25,000 deductible for general liability claims and has a \$5,000 deductible for physical damage claims on vehicles valued over \$50,000 or operated by the Operations contractor, and \$500 on staff vehicles with a value of less

than \$50,000. As a member of CalTIP the Authority has a seat on the governing board. The Board of Directors consists of representatives from all the member organizations.

In addition to the coverage provided through CalTIP, the Authority has commercial insurance coverage for property damage, boiler and machinery loss, and workers' compensation. Below is a summary of the Authority's current insurance program and related coverage.

<u>Insurance</u>	<u>Liability Limit</u>
Property	\$350,000,000
Inland Marine (valuable papers)	No-sublimit for Valuable Papers
Boiler and Machinery	\$25,000,000 per occurrence
Underground Storage Tank	\$1,000,000 Occurrence/\$1,000,000 Aggregate

The Authority's deductible amounts are \$10,000 or less.

### ***Independent Audit***

State law requires that independent auditors, selected by the Board of Directors, audit the financial statements of the Authority. The fiscal year ended June 30, 2013 audit was conducted by Maze & Associates and their report is included in the Financial Section. Maze & Associates has also audited the Authority's compliance with the Transportation Development Act, a state law governing the expenditure of Local Transportation Funds; and State Transit Assistance, the Single Audit Act and regulations, the law, rules and regulations governing expenditures of federal awards; Measure B, and Prop 1B Security and PTMISEA funds. The Auditors' reports on compliance are presented in the Compliance Section of this report. In all cases the Auditor's reports are "unqualified" meaning there were no compliance exceptions.

## **FISCAL YEAR IN REVIEW**

LAVTA entered FY13 after extremely difficult years during which the agency implemented a 25% reduction in service, raised fares, and finally launched the Rapid service. Because the recovery has been slow, LAVTA's two main revenue sources remained relatively flat in FY13.

Transportation Development Act (TDA) monies, which are sales tax based, declined more than 20% in Alameda County during FY09 and FY10, but rose from those levels in FY11 and FY12.

State Transit Assistance (STA) monies, which are diesel fuel tax based, were uncertain throughout FY09 and FY10, but in March 2010 the Legislature enacted what became known as the "gas tax swap". This legislation, and its subsequent re-enactment in 2011, paved the way for a future STA revenue stream. To protect against the volatility and uncertainty of STA funding, LAVTA chose to put all of its STA revenues into reserves in FY13 and based its FY13 Budget on more certain revenue streams.

Against this backdrop, LAVTA's FY13 Budget had the following features: (1) service hours were increased, (2) the fixed route and paratransit contracts were slightly increased per contractual terms negotiated in 2011, (3) three major capital projects were planned to be completed during the year, (4) fares were unchanged, and (5) reserve levels were maintained consistent with the Board's policy target.

### ***Fiscal Year 2013 Accomplishments***

While the previous section summarizes the financial situation last year, this section describes the work accomplished in FY13. In addition to the on-going workload of the agency, staff was busy this year in completing three major capital projects, planning a dedication event to celebrate the completion of the Atlantis fuel and wash project and Rideo restoration, completing a major revision to the Short Range Transit Plan, and beginning work to simplify the routes that make up our system. Highlights of FY13's work accomplishments include:

Atlantis Fuel and Wash Facility - Completed construction of the fuel and wash facility and conducted value engineering to reduce costs of the next three phases of work

Marketing - Hosted the dedication ceremony for the Atlantis facility and Rideo restoration; installed art shelters in Livermore and Pleasanton; published Wheels bus books in August 2012 and January 2013; completed the Try Transit campaign for middle and high school riders; continued the New Neighbor and Employee programs; completed the holiday food drive; continued marketing efforts to promote the Rapid and Wheels fixed route service

Paratransit - Negotiated revised rates for FY13; developed new performance measures; revised the paratransit eligibility application with WAAC assistance; consolidated and updated ADA policies

Audits/Reviews - Completed the FY12 Financial Audit (CAFR); FTA Safety and Security review; CalTIP Secret Rider reviews for safety; CalTIP assessment of Safety Plans vs actual practices; MTC Triennial TDA Audit

Financial Management - Continued quarterly budget status reports to the Board; pre-payments to reduce future retiree health obligations; leased a surplus bus to increase revenues; received GFOA's Award of Excellence for Financial Reporting for FY12 CAFR; revised salaries and pensions to align with State PEPPRA legislation

Procurement - Procured contracts to support radio communications equipment, Rapid bus stop installation, janitorial services, printing services, security camera upgrades, bus book printing, and legal services

Smaller Capital Projects - Completed the restoration of the historic Rideo bus; joined the East Bay Radio Communications System; completed the radio replacement project; worked with County, Pleasanton, and the Alameda Fair staff on the Fairgrounds bus stop; worked with Dublin staff to add new bus stops in northeast Dublin; installed a Rapid stop at Paragon Outlets and moved to the final alignment on the extended Jack London corridor; installed two new Rapid stops in Livermore; installed two bus shelters at Shadow Cliffs; executed a Stormwater Agreement with the City of Livermore

Service-Related Projects - Completed a major update to the Short Range Transit Plan; initiated new service to Paragon Outlets; obtained FTA approval to change the Rapid's peak frequency to 15 minutes; initiated improved service to Emerald Vista housing development; reinstated service previously cut in 2010; added new Route 53/54 service to meet a new fourth daily ACE train; formalized the shopping routes that had been operating as pilot projects

Policy Related Matters - Adopted 2013 Legislative Program; revised Strategic Plan and updated Board priorities; adopted revised Conflict of Interest Code; briefed the Board on LAVTA's customer complaint process; adopted service standards, including system wide performance

standards and fleet assignments; adopted a bus stop amenities policy; adopted a new Title VI Report and Limited English Proficiency Plan

Regional Projects - Monitored and briefed the Board on MTC's Transit Sustainability Project; monitored and briefed the Board on ACTC's Expenditure Plan; partnered with BART and Livermore planners on a first phase transfer station; participated in MTC's Tri City/Tri Valley Transit Study

Personnel - Approved a contract extension for the Executive Director; hired Marketing Specialist and Grants Analyst

## **FUTURE OUTLOOK**

The outlook for Fiscal Year 2014 can be summarized as follows: LAVTA's FY14 Budget is \$15.6 million, which is 1.75% higher than FY13. This assumes LAVTA will maintain the same level of service hours for a fourth consecutive year in which service reductions have been avoided. Further, for the fifth consecutive year, no fare increases are proposed for the year ahead. The Budget for FY14 continues to comply with the Board's policy to maintain reserves equivalent to 3-6 months of operating costs. Additionally, all of next year's forecasted State Transit Assistance (STA) revenues are held in the reserves so as to insulate the agency from the volatility of diesel fuel sales.

FY14's major service highlight is that LAVTA will be able to provide the same number of service hours as provided last year. In FY14, we will provide 127,000 revenue hours, which is 24,000 hours more than the Recession-caused low in FY10, but 13,000 lower than LAVTA's recent historic high of FY09. Consistent with the Short Range Transit Plan, adopted by the board in 2012, LAVTA will continue to simplify its service network and make it easier for customers to understand. LAVTA will entertain service changes, but with an eye towards keeping revenue hours at a net zero change.

The capital budget will have two areas of focus. First, we will continue our focus on bringing the fleet and facilities to a state of good repair, primarily by replacing bus engines and transmissions as they fail. Second, LAVTA received a very large bus order in 2003 – 34 buses – which will need replacement as they approach the end of their useful lives. By 2015-16, we will need to accumulate significant amounts of local match funding in order to replace these buses.

As LAVTA enters into FY14, its activities will occur against the backdrop of a continued economic recovery. Federal discussion over a multi-year transportation authorization bill continues to pose uncertainty. However, the outlook on the State level is brighter with STA proving to be an ongoing revenue source. Regional activities such as BART's environmental study on a Livermore extension, and ACTC's reaction to Measure B1's ballot measure all pose both challenges and opportunities for LAVTA.

### ***Fiscal Year 2014 Goals***

FY14 marks the seventh year of operations guided through the use of the Wheels Strategic Plan. The Wheels Strategic Plan establishes an overall vision and mission for Wheels and contains a series of goals and strategies to guide the future development of services and projects. To begin the budget process, the LAVTA Board reviewed and revised the strategies and identified their top priorities at the December 2012 Board meeting. The priorities for the upcoming year are:

A1: Provide routes and services to meet current and future demand for timely and reliable transit service subject to fiscal restraints.

A3: Optimize existing routes and services to increase productivity and respond to MTC's Transit Sustainability Project and MTC's Tri City/Tri Valley Transit Study.

A4: Improve connectivity with regional transit systems and participate in the activities of projects like BART to Livermore and Altamont Commuter Express to ensure future connectivity.

B1: Continue to build the Wheels brand image, identity and value for customers.

B4: Increase ridership, particularly the Rapid, to fully attain community benefits achieved through optimum utilization of our transit system.

C3: Partner with employers in the use of transit to meet transportation demand management goals or requirements.

D1: Advocate for local, regional, state, and federal policies that support Wheels' goals.

E3: Establish performance based metrics with action plans for improvement; monitor, improve, and periodically report on on-time performance and productivity.

F1: Develop budget in accordance with the Strategic Plan, integrating fiscal review processes into all decisions.

## **ECONOMIC CONDITION AND OUTLOOK**

The Livermore Amador Valley, also called the Tri-Valley, is located on the eastern edge of Alameda County, the seventh largest county in California. The cities of Livermore, Dublin and Pleasanton surpassed 200,000 total residents according to 2010 Census data. According to the Metropolitan Transportation Commission's (MTC) 2035 Transportation Plan released in 2009, the Tri-Valley population is expected to grow by 28% between 2006 and 2035. Employment is projected to grow by 49%. The senior population is another area of fast growth as the Baby Boomer generation ages; between 2006 and 2035 the senior population is projected to grow 161%. The number of low-income households (defined as households with less than \$42,700 annual income in 2007 dollars) will decrease by 11% during the forecast period.<sup>1</sup>

The Tri-Valley cities have a lower unemployment rate than other cities in Alameda County, the state, and the nation. Statistics for August 2011 show that unemployment rates in Tri-Valley cities are: Dublin - 6.5%, Livermore - 7.0%, and Pleasanton - 5.4%, compared to the county-wide figure of 10.7%.<sup>2</sup> The percentage of unemployed residents has declined since 2010.

At the end of FY 2009, in the face of the economic recession and declining revenues, the Authority reduced service by 25% and immediately saw a decrease in ridership of approximately the same percentage. Since then the Agency has made efforts to gradually restore service hours. For FY 2013

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<sup>1</sup> Source: Travel Forecasts Data Summary, Transportation 2035 Plan for the San Francisco Bay Area, April 2009

<sup>2</sup> Source: Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places (CDP), August 2011 - Preliminary



the Agency will provide 127,000 revenue hours; 24,000 hours more than FY 2012 but still 11% below the historic high of FY 2009. The challenge for the Authority moving forward will be to retain current riders and service levels and continue to plan services that appeal to a market beyond the transit-dependent population. The Authority launched the Rapid Route in 2011 with the hopes of attracting a greater share of “choice” riders and in FY 2012 the route accounted for nearly 20% of total ridership.

## AWARDS AND ACKNOWLEDGEMENTS

### *Awards*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Livermore Amador Valley Transit Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the seventeenth consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This Report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

### *Acknowledgments*

The preparation of this report required the dedicated efforts of the Authority’s staff. We also gratefully recognize Maze & Associates for their timely audit and expertise on the preparation of this Comprehensive Annual Financial Report. Finally, we would like to thank the Board of Directors for its commitment and support in the development of a strong financial system.

Executive Director

Director of Administrative Services



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Paul Matsuoka



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Beverly Adamo

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**

**PRINCIPAL OFFICIALS**

**June 30, 2013**

**Board of Directors**

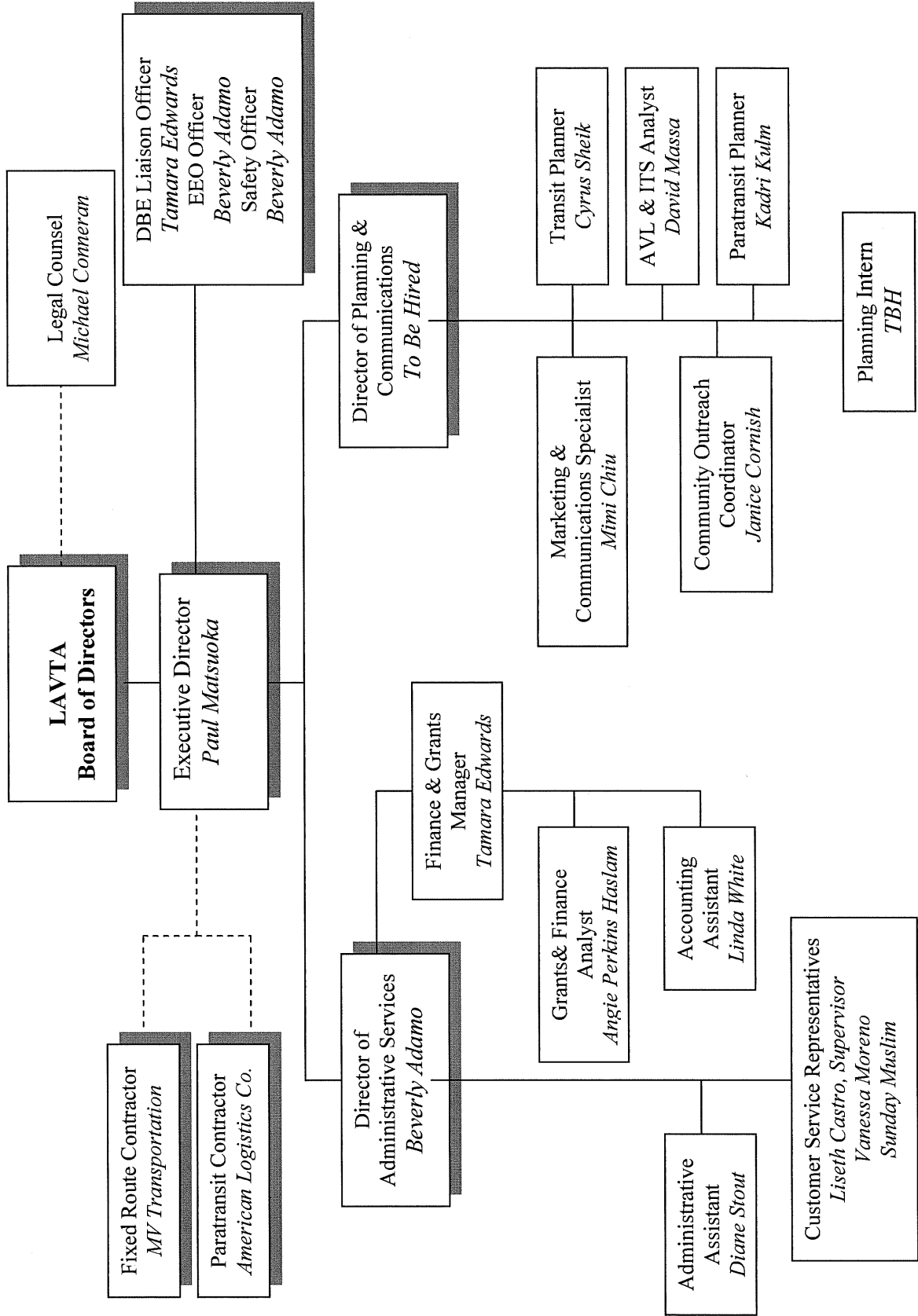
Chair ..... Laureen Turner, Councilmember, City of Livermore  
Vice Chair..... Jerry Thorne, Mayor, City of Pleasanton  
Member..... Karla Brown, Councilmember, City of Pleasanton  
Member ..... Don Biddle, Vice Mayor, City of Dublin  
Member ..... Tim Sbranti, Mayor, City of Dublin  
Member ..... Scott Haggerty, Supervisor, Alameda County  
Member ..... Bob Woerner, Councilmember, City of Livermore

**Staff**

Executive Director ..... Paul Matsuoka  
Director of Administrative Services ..... Beverly Adamo  
Director of Planning & Communications ..... Vacant as of June 23, 2013  
Finance Analyst ..... Tamara Edwards  
Transit Planner ..... Cyrus Sheik  
Marketing Specialist ..... Mimi Chiu  
AVL and Transit Applications Analyst ..... David Massa  
Paratransit Planner ..... Kadri Kulm  
Grants and Finance Analyst..... Angie Perkins Haslam  
Accounting Assistant..... Linda White  
Administrative Assistant ..... Diane Stout  
Community Outreach Coordinator ..... Janice Cornish  
Customer Service Supervisor..... Liseth Castro  
Customer Service Representative ..... Sunday Honeycutt  
Customer Service Representative ..... Vanessa Moreno

# LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

## Organizational Chart



As of June 30, 2013



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Livermore/Amador  
Valley Transit Authority  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

2

FINANCIAL  
SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors  
Livermore Amador Valley Transit Authority  
Livermore, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the business-type activities of the Livermore Amador Valley Transit Authority (Authority) as of and for the year ended June 30, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## *Emphasis of Matters*

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2013 and had material effects on the financial statements:

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 63-*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective during the year ended June 30, 2013 and required certain title changes to the Statement of Net Position and Statement of Changes in Net Position.

The emphasis of this matter does not constitute a modification to our opinions.

## *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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The Introductory Section, Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

***Report on Summarized Comparative Information***

We have previously audited the Authority's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2012. In our opinion, the summarized comparative information as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Maze & Associate*

Pleasant Hill, California  
September 13, 2013



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## MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

The Livermore/Amador Valley Transit Authority is required to prepare financial statements in accordance with Government Accounting Standards Board Statement Number 34 (GASB 34) beginning with the fiscal year ended June 30, 2004. GASB 34 required changes to the traditional financial statements and disclosures, and required the preparation of a Management Discussion and Analysis (M,D&A)– a narrative overview and analysis of the financial activities of the Authority for each fiscal year. This M,D&A is for the fiscal year ended June 30, 2013.

GASB 34 requires the format of Authority-wide financial statements, which are contained in the Financial Section of the accompanying report. These Authority-wide statements include a Statement of Net Assets and a Statement of Revenues, Expenses and Changes in Net Assets. The Statement of Net Assets presents information on all of the Authority's assets and liabilities with the difference of the assets minus the liabilities being the Authority's net assets. The Statement of Revenues, Expenses and Changes in Net Assets summarizes how the Authority's net assets have changed over the fiscal year.

Page references are to the attached fiscal year ended June 30, 2013 basic financial statements.

### Background and Overview of the Presentation of the Financial Statements

The Authority's basic financial statements are comprised of four parts:

1. The Independent Auditor's Report
2. The Management Discussion and Analysis
3. The Basic Financial Statements
4. The Notes to the Financial Statements

1. *The Independent Auditor's Report.* This is an annual report prepared by the auditor to accompany the financial statements.

2. *Management Discussion and Analysis (MD&A).* This report accompanies the GASB34 compliant financial statements. The MD&A must include:

- A brief explanation of the presentation that makes up the basic financial statements and the relationship of one statement to another.
- Condensed financial information, allowing comparison of current and prior fiscal periods.
- Analysis of the Authority's overall financial position (Statement of Net Assets), and results of operations (Statement of Revenues, Expenses and Changes in Net Assets).
- Analysis of balances and transactions of major individual funds.

- Significant capital asset and long-term debt activity.
- Any facts, decisions, or conditions known at the close of audit fieldwork that is expected to have a significant effect on the financial position or results of operations.

3. *Basic Financial Statements.* The basic Authority-wide financial statements are prepared under a set of rules referred to by their regulatory identifier, GASB 34. The Authority-wide financial statements are designed to provide a broader overview of the Authority's financial position, using an accounting basis similar to the model used in prior years.

The Statement of Net Assets summarizes the Authority's assets and liabilities, with the difference of the two reported as net assets (rather than equity). The Statement of Net Assets is designed to provide information about the financial position of the Authority as a whole, including all of its capital assets and long-term liabilities, on a full accrual basis of accounting, similar to the accounting model used by private sector firms. Over time, increases or decreases in net assets could serve as an indication of whether the overall financial position of the Authority is stable.

The following table summarizes the net assets of governmental activities as of June 30, 2013 and June 30, 2012:

Table 1

Statement of Net Assets	Year Ending 6/30/2013	Year Ending 6/30/2012
<b>ASSETS</b>		
Cash and investments	\$3,657,779	\$ 3,348,814
Receivables	2,540,524	3,420,545
Capital assets (depreciated)	<u>43,565,396</u>	<u>39,937,331</u>
Total assets	<u>49,763,699</u>	<u>46,706,690</u>
<b>LIABILITIES</b>		
Accounts/Claims payable	2,009,073	3,504,014
Due to LTF	<u>4,316,718</u>	<u>3,330,157</u>
Total liabilities	<u>6,325,791</u>	<u>6,834,171</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	<u>43,437,908</u>	<u>39,872,519</u>
Total restricted net assets	<u>43,437,908</u>	<u>39,872,519</u>

## **Assets**

Total assets amounted to \$49,763,699 consisting of \$6,198,303 in current assets such as cash and accounts receivable, and \$43,565,396 in capital assets primarily vehicles and facilities including furnishings and equipment. Notes 2 and 4 further describe Cash and Investments and Capital Assets. In the fiscal year ended June 30, 2013 the capital projects below were ongoing:

### *Maintenance and Operations Facility*

The Authority has purchased land and built the first phase (parking lot) and a second phase (fuel and wash facility) and is currently designing another portion of the facility to house maintenance and operations functions. This is expected to be a significant multi-year project.

## **Liabilities**

Liabilities totaled 6,325,791 consisting primarily of accounts payable and money due to the LTF. Local Transportation Funds are held at the county and are available to the Authority for future capital and operating needs. The legislated requirement that all Local Transportation Funds be held at the county on behalf of the Authority causes the agency's financial position to look weaker than it would if those reserves were included in the agency's assets. At fiscal year end the agency had an estimated \$5,509,115 in reserves.

## **Net Assets**

Change of Net Assets was \$3,565,389 due to additions to capital assets in excess of depreciation on existing capital assets.

The Statement of Revenues, Expenses and Change in Net Assets provides information about the Authority's revenues and expenses on the full accrual basis, with an emphasis on measuring the net revenues or expenses for each of the Authority's main activities. The Statement of Revenues, Expenses and Change in Net Assets explains in detail the change in net assets for a given year. The amounts in the Statement of Revenues, Expenses and Change in Net Assets represent two programs: fixed route and paratransit. The Basic Financial Statements divide all revenues and expenses by program. The analysis in this discussion applies to both programs.

The following table summarizes the Statement of Revenues, Expenses and Change in Net Assets, or the change in net assets of governmental activities, for the year ended June 30, 2013 and June 30, 2012:

Table 2  
Statement of Revenues, Expenses and Change in Net Assets

	Year Ending 6/30/2013	Year Ending 6/30/2012
<b>EXPENSES</b>		
Expenses, non-capital		
Board of Directors	\$11,900	\$13,800
Executive Director	256,794	256,528
Administrative Services	1,451,961	1,433,790
Planning	467,394	445,676
Marketing	297,587	481,728
Operations	<u>11,052,981</u>	<u>11,144,981</u>
Total Expenses, non-capital	<u>13,538,617</u>	<u>13,776,503</u>
Expenses, capital		
Depreciation	3,749,118	3,984,765
Total Expenses, capital	3,749,118	3,984,765
Total expenses	<u>17,287,735</u>	<u>17,761,268</u>
<b>REVENUES</b>		
Program operating revenues:		
Fare and contract revenues	\$2,482,825	\$2,224,902
Advertising and ticket concessions	222,653	365,394
Total operating revenues	2,705,478	\$2,590,296
Non-operating revenues, non-capital:		
Operating grants and contributions	10,833,139	11,186,207
Total non-operating revenues, non-capital	<u>10,833,139</u>	<u>11,186,207</u>
Total non-capital revenues	<u>13,538,617</u>	<u>13,776,503</u>
Net Loss Before Capital Contributions	3,749,118	3,984,765
Non-operating revenues, capital		
Gain (Loss) on Disposal of Equipment	(474)	(218,247)
Total Gain (Loss)	<u>(474)</u>	<u>(218,247)</u>
Net non-operating revenues before capital contributions (grants)	<u>10,832,665</u>	<u>10,967,960</u>
Capital grants, net		
Total capital grants, net	<u>7,314,981</u>	<u>4,112,186</u>
Total revenues	<u>\$20,853,598</u>	<u>\$17,888,689</u>
<b>CHANGE IN NET ASSETS</b>		
Net Assets, beginning	<u>39,872,519</u>	<u>35,963,345</u>
Net Assets, ending	<u>43,437,908</u>	<u>39,872,519</u>

## Expenses

Total expenses including depreciation (which was \$3,749,118) were \$17,287,735 in the fiscal year ending June 30, 2013. Adjusting for depreciation this was a 1.7% decrease over the prior year. The decrease in expenses was driven by a savings in insurance.

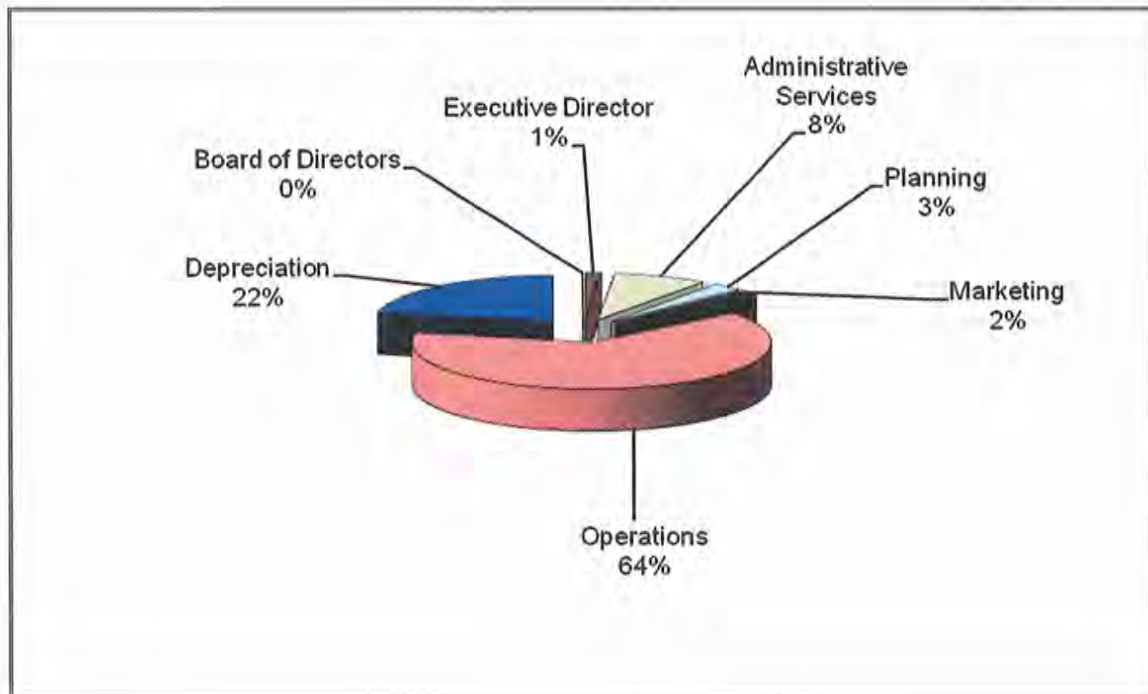
Expenses, excluding depreciation, are sorted by department. A brief description of each department's function is as follows:

- *Board of Directors* All the costs associated with the Board of Directors including their stipends and professional development expenses are charged to this department.
- *Executive Director* The Executive Director is responsible for the general supervision of the administration of the transit system. All costs associated with this position are accounted for in this cost center. The majority of the expenses charged to this department are the Executive Director's salary and benefits.
- *Administrative Services* Specific department responsibilities include: preparation of operating and capital budgets; financial reporting and analysis; oversight of all financial and compliance audits and preparation of the Comprehensive Annual Financial Report (CAFR); human resources management; procurement oversight; administration of federal, state, and local operating and capital grants; securing federal, state and local grants, monitoring of Authority's comprehensive insurance program; fixed asset management; facilities maintenance; fare and revenue collection; customer service, and general office administration. Significant costs charged to this department are salary and benefits for the eight accounting, grants, administrative and customer service positions, as well as utilities and facility maintenance expenses.
- *Planning* This department plans, organizes, directs, and implements the Authority's short and long-range planning programs. This department is also responsible for transit development functions including capital improvement programs, route planning and scheduling, collection and evaluation of operations data, oversight of information technology support, implementation and monitoring of ADA services. Primary costs in this department are for salary and benefits for four positions.
- *Marketing* The Marketing Department is responsible for planning, organizing, directing, and implementing the Authority's marketing and community outreach programs. In addition to salary and benefits for two employees all printing, advertising, and outside marketing services are charged to this department.
- *Operations* This department is responsible for operating and maintaining fixed route, and Dial-A-Ride paratransit service. These services are currently provided under contract by MV Transportation, Inc., a private transit services

provider. In addition to the cost of purchased transportation, liability insurance, and fuel are significant costs attributed to this department.

- *Depreciation* is the final category of expenses. This is the current year depreciation on existing capital assets calculated on a straight-line basis.

A historical comparison of expenses by department is also included in the statistical section of this report. Below are the percentages by department for the fiscal year ending June 2013.



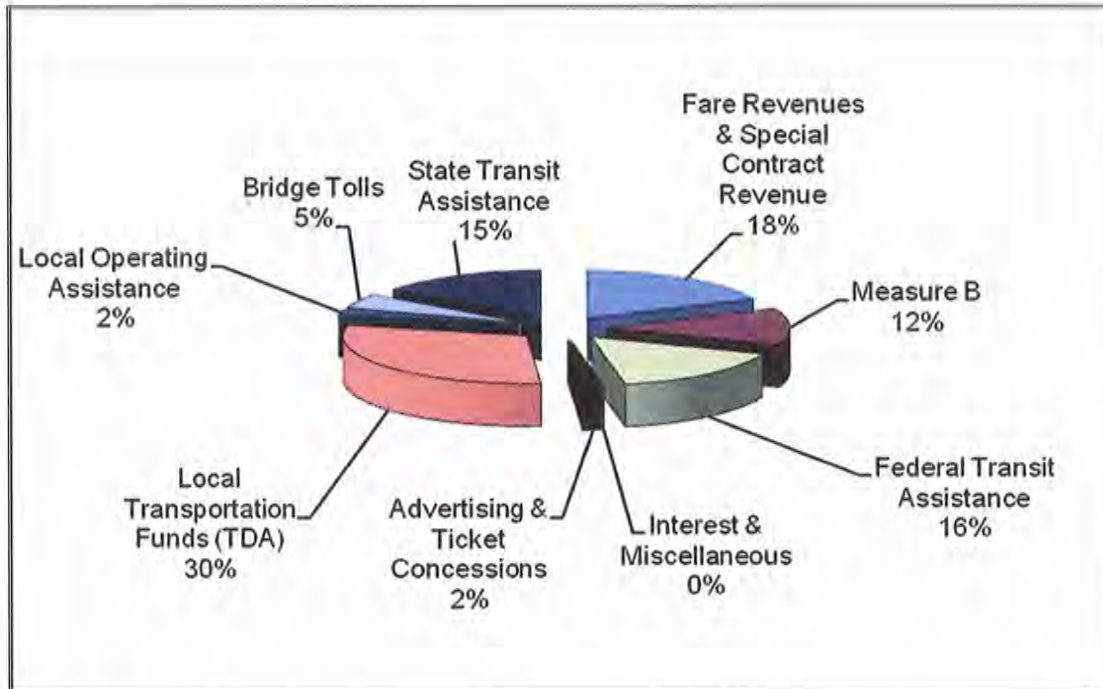
## Revenues

The Authority's primary source of operating revenue is Transportation Development Act (TDA) Article 4.0 and 4.5 funds. In FY13, TDA accounted for 30% of total operating revenue. The rest of the revenue is comprised of Federal Transit Assistance, Passenger Fares, State Transit Assistance, Measure B, Bridge Tolls, Advertising and Ticket Concessions, and Interest.

Federal operating funds accounted for \$2,201,915 or 16% of the total; this is a slight decrease over the prior year.

Revenue generated from operations (farebox, contract, and advertising revenues) increased from the prior year due to an increase in contracted revenue.

The statistical section of this report presents all the revenue sources by year for the previous ten years. Below are percentages by funding source for the fiscal year ending June 2013.



### Capital Contributions

Capital contributions in the fiscal year ending June 2013 were \$7,410,409 which is an increase over the capital contributions for the fiscal year ending June 30, 2012 \$3,202,795. The increase in capital contributions is attributed to the increase in capital spending, brought on by the completion of the fuel and wash facility.

#### 4. Notes to the Financial Statements

The notes provide additional information that is important to a full understanding of the data provided in the Authority-wide, and the traditional fund-based, financial statements.

Finally, there were no facts, decisions, or conditions known at the close of fieldwork that are expected to have a significant effect on the financial position or results of operations.

#### Contacting Authority Management

These Basic Financial Statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances. Questions about this Report should be directed to the Authority, at Livermore Amador Valley Transit Authority, 1362 Rutan Court, Suite 100, Livermore, CA 94551.



LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2013  
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2012

	2013		Totals	2012 Totals
	Fixed Route Program	Paratransit Program		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments (Note 2)	\$3,535,221	\$122,558	\$3,657,779	\$3,348,814
Receivables:				
Accounts	1,383,302	63,031	1,446,333	931,274
Capital grants	947,467		947,467	2,358,433
Prepaid expenses	146,598	126	146,724	130,838
Total current assets	<u>6,012,588</u>	<u>185,715</u>	<u>6,198,303</u>	<u>6,769,359</u>
<b>Noncurrent Assets</b>				
OPEB Asset (Note 11)	127,488		127,488	64,812
Capital Assets (Note 4):				
Land and construction in progress	26,111,968		26,111,968	20,722,362
Depreciable assets	48,323,250	2,050,333	50,373,583	48,450,104
Subtotal capital assets	74,435,218	2,050,333	76,485,551	69,172,466
Less: accumulated depreciation	(31,164,110)	(1,883,533)	(33,047,643)	(29,299,947)
Capital assets, net	43,271,108	166,800	43,437,908	39,872,519
Total noncurrent assets	43,398,596	166,800	43,565,396	39,937,331
Total Assets	<u>49,411,184</u>	<u>352,515</u>	<u>49,763,699</u>	<u>46,706,690</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	1,156,776	185,715	1,342,491	1,519,641
Claims payable (Note 1E)	122,729		122,729	239,047
Total current liabilities	1,279,505	185,715	1,465,220	1,758,688
<b>Noncurrent Liabilities</b>				
Unearned revenues (Note 7)	543,853		543,853	1,745,326
Due to LTF Operating (Note 5)	4,316,718		4,316,718	3,330,157
Total noncurrent liabilities	4,860,571		4,860,571	5,075,483
Total Liabilities	6,140,076	185,715	6,325,791	6,834,171
<b>NET POSITION</b>				
Net investment in capital assets (Note 8)	43,271,108	166,800	43,437,908	39,872,519
Total Net Position	<u>\$43,271,108</u>	<u>\$166,800</u>	<u>\$43,437,908</u>	<u>\$39,872,519</u>

See accompanying notes to basic financial statements

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012 Totals
	Fixed Route Program	Paratransit Program	Totals	
<b>PROGRAM OPERATING REVENUES</b>				
Fare revenues	\$1,787,567	\$147,025	\$1,934,592	\$1,917,312
Special contract revenue	521,441	26,792	548,233	307,590
Advertising and ticket concessions	222,653		222,653	365,394
<b>Total program operating revenues</b>	<b>2,531,661</b>	<b>173,817</b>	<b>2,705,478</b>	<b>2,590,296</b>
<b>PROGRAM OPERATING EXPENSES</b>				
Board of Directors	11,305	595	11,900	13,800
Executive Director	256,794		256,794	256,528
Administrative services	1,436,825	15,136	1,451,961	1,433,790
Planning	345,269	122,125	467,394	445,676
Marketing	297,587		297,587	481,728
Operations	9,985,580	1,067,401	11,052,981	11,144,981
Depreciation (Note 4)	3,480,365	268,753	3,749,118	3,984,765
<b>Total program operating expenses</b>	<b>15,813,725</b>	<b>1,474,010</b>	<b>17,287,735</b>	<b>17,761,268</b>
<b>PROGRAM OPERATING LOSS</b>	<b>(13,282,064)</b>	<b>(1,300,193)</b>	<b>(14,582,257)</b>	<b>(15,170,972)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and miscellaneous	5,608		5,608	3,270
Local Transportation Funds 4.0	3,546,783	410,101	3,956,884	5,476,346
Local Transportation Funds 4.5		98,270	98,270	94,572
State Transit Assistance	1,944,252	66,997	2,011,249	348,781
Local Operating Assistance	208,538		208,538	540,671
FTA operating assistance	1,897,680	304,235	2,201,915	2,250,272
Local Sales Tax/Measure B funds:				
Allocations	793,899	149,807	943,706	881,168
Special Allocations	741,551	2,030	743,581	1,010,291
Bridge tolls	663,388		663,388	580,836
Gain (loss) on disposal of equipment	(474)		(474)	(218,247)
<b>Net non-operating revenues, before capital contributions (grants)</b>	<b>9,801,225</b>	<b>1,031,440</b>	<b>10,832,665</b>	<b>10,967,960</b>
Capital contributions (grants):				
FTA capital assistance	3,991,864		3,991,864	802,913
Local Transportation Funds 4.0	313,069		313,069	281,898
State STIP	1,688,355		1,688,355	2,311,645
State Transit Assistance	9,125		9,125	114,047
State Bond Fund - Prop 1B (Note 7B)	1,242,373		1,242,373	496,713
Contractor contribution				104,970
Bridge tolls	70,195		70,195	
<b>Total capital contributions (grants)</b>	<b>7,314,981</b>		<b>7,314,981</b>	<b>4,112,186</b>
<b>Net non-operating revenues and contributions</b>	<b>17,116,206</b>	<b>1,031,440</b>	<b>18,147,646</b>	<b>15,080,146</b>
<b>Change in net position</b>	<b>3,834,142</b>	<b>(268,753)</b>	<b>3,565,389</b>	<b>(90,826)</b>
<b>NET POSITION,</b>				
Beginning of Year	39,436,966	435,553	39,872,519	39,963,345
End of Year	\$43,271,108	\$166,800	\$43,437,908	\$39,872,519

See accompanying notes to basic financial statements

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012 Totals
	Fixed Route Program	Paratransit Program	Totals	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$2,052,879	\$158,579	\$2,211,458	\$2,884,327
Payments to vendors	(11,208,098)	(1,082,674)	(12,290,772)	(11,771,801)
Payments to and on behalf of employees	(1,513,912)	(105,963)	(1,619,875)	(1,647,927)
Net cash provided (used) by operating activities	<u>(10,669,131)</u>	<u>(1,030,058)</u>	<u>(11,699,189)</u>	<u>(10,535,401)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	5,608		5,608	3,270
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Local Transportation Funds 4.0	4,533,344	410,101	4,943,445	6,469,493
Local Transportation Funds 4.5		98,270	98,270	94,572
State Transit Assistance	1,944,252	66,997	2,011,249	348,781
TFCA	208,538		208,538	540,671
FTA operating assistance	1,897,680	304,235	2,201,915	2,250,272
Local sales tax/Measure B funds	1,535,450	151,837	1,687,287	1,891,459
Bridge tolls	663,388		663,388	580,836
Interfund payments				(44,871)
Interfund receipts				44,871
Net cash provided by noncapital and financing activities	<u>10,782,652</u>	<u>1,031,440</u>	<u>11,814,092</u>	<u>12,176,084</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of capital assets	(7,314,981)		(7,314,981)	(4,112,186)
Capital grants received:				
FTA capital assistance	3,532,653		3,532,653	486,852
Local Transportation Funds 4.0	229,920		229,920	300,168
State STIP	3,624,677		3,624,677	375,323
State Transit Assistance	9,125		9,125	114,047
State Bond Fund - Prop 1B (Note 7B)	1,765,187		1,765,187	2,137,425
Contractor contribution	49,486		49,486	55,484
Deferred revenue and interest returned to FTA	(1,745,326)		(1,745,326)	(59,949)
Bridge Tolls	37,713		37,713	
Net cash provided (used) by capital and related financing activities	<u>188,454</u>		<u>188,454</u>	<u>(702,836)</u>
<b>NET CASH FLOWS</b>	<b>307,583</b>	<b>1,382</b>	<b>308,965</b>	<b>941,117</b>
<b>CASH AND INVESTMENTS AT BEGINNING OF YEAR</b>	<b>3,227,638</b>	<b>121,176</b>	<b>3,348,814</b>	<b>2,407,697</b>
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	<b><u>\$3,535,221</u></b>	<b><u>\$122,558</u></b>	<b><u>\$3,657,779</u></b>	<b><u>\$3,348,814</u></b>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating loss	(\$13,282,064)	(\$1,300,193)	(\$14,582,257)	(\$15,170,972)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	3,480,365	268,753	3,749,118	3,984,765
Increase (decrease) in:				
Accounts receivable	(499,821)	(15,238)	(515,059)	295,741
Prepaid expenses	(15,881)	(5)	(15,886)	69,607
OPEB Asset	(62,676)		(62,676)	(15,729)
Accounts payable	(193,775)	16,625	(177,150)	187,644
Claims payable	(116,318)		(116,318)	115,253
Unearned revenues	21,039		21,039	(1,710)
Net cash provided (used) by operating activities	<u>(\$10,669,131)</u>	<u>(\$1,030,058)</u>	<u>(\$11,699,189)</u>	<u>(\$10,535,401)</u>

See accompanying notes to basic financial statements

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
--

**A. General**

Livermore/Amador Valley Transit Authority (Authority), which was established in 1985, is a Joint Powers Agency formed by the County of Alameda, and the Cities of Dublin, Livermore and Pleasanton to provide transportation services within the Cities' limits and portions of the unincorporated County. The Authority is doing business under the name of "Wheels" and operates two transportation programs:

**Fixed Route Program** - The Authority operates buses, which follow fixed routes and times throughout the Authority's service area and are available to anyone able to pay the fare.

**Paratransit Program** - The Authority operates a "dial-a-ride" program for disabled persons pursuant to requirements of the Americans With Disability Act (ADA).

None of these operations generate sufficient fares, special contract, advertising and ticket concessions revenues to cover the operating expenses. Expenses incurred in excess of these revenues, interest and other revenues are reimbursed with grant funds. The programs are subsidized by the Metropolitan Transportation Commission, which is the regional coordinating agency for State of California Transportation Development Act grants and the United States Department of Transportation with Federal Transit Administration Grants.

Capital and planning grants are reimbursement based. Operating grants are advanced quarterly and/or monthly based on reserves; any grant funds received in excess of operating expenses, net of other revenues, must be returned to the grantor.

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.

**B. Fund Accounting**

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

**C. 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. The Authority follows Financial Accounting Standards Board Statements issued before November 30, 1989, which do not conflict with Governmental Accounting Boards Statements.

*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.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

<b>NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</b>
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**D. 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.

The Authority reports the following major proprietary (enterprise) funds:

**Fixed Route Program** - The Authority operates buses, which follow fixed routes and times throughout the Authority's service area and are available to anyone able to pay the fare.

**Paratransit Program** - The Authority operates a "dial-a-ride" program for disabled persons pursuant to requirements of the Americans With Disability Act (ADA).

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.

**E. Risk Management**

The Authority requires its operations contractor to provide general liability coverage and workers compensation coverage for its employees. The Authority also provides unemployment benefits to terminated employees in accordance with state law. The Authority has a commercial insurance policy for workers compensation coverage of its employees. The Authority has no deductible for this coverage.

On May 1, 2000, the Authority became a member of the California Transit Insurance Pool (CALTIP), a joint powers authority that provides annual general liability and physical damage coverage up to \$10,000,000. The Authority has a \$25,000 deductible for general liability claims, a \$5,000 deductible for physical damage claims on vehicles valued over \$50,000 and a \$2,500 deductible for physical damage claims on vehicles with a value less than \$50,000.

CALTIP is governed by a board consisting of representatives from member municipalities. The board controls the operations of CALTIP, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

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

The Authority's premiums are based upon the following factors: claims history, total payroll, the Authority's exposure, the results of an on-site underwriting inspection, total insurable values, and employee classification ratings. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating which generally occurs in the third year after the completion of the program year.

Claims payable activity is presented below. The outstanding balance is expected to be paid within the next fiscal year.

	2012-2013	2011-2012
Balance, July 1	\$239,047	\$123,794
Net change in liability for claims and claims paid but not reported	271,325	143,659
Claims paid	(387,643)	(28,406)
Balance, June 30	\$122,729	\$239,047

Settlements have not exceeded insurance coverage in the past three years.

**F. 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.

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments as of June 30, 2013 consist of the following:

Local Agency Investment Fund	\$2,129,192
Cash in bank	1,289,510
Cash on hand	740
Cash held by CalTIP	238,337
Total Cash and Investments	\$3,657,779

**A. Investments Authorized by the Authority's Investment Policy**

The Authority's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**B. *Interest Rate Risk***

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

The Authority is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Authority reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2013, these investments matured in an average of 278 days.

The Authority adjusts the carrying value of its investments to reflect their fair market value at each fiscal year end, and it includes the effects of these adjustments in interest income for that fiscal year.

**C. *Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**D. *Concentration of Credit Risk***

The investment policy of the Authority contains no limitations on the amount that may be invested in any one issuer beyond that stipulated by the California Government Code.

**NOTE 3 - INTERFUND TRANSACTIONS**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2013, there were no interfund balances.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 4 - CAPITAL ASSETS**

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. The purpose of depreciation is to spread the cost of capital assets over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

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: Facilities - 30 years, Vehicles - 2-12 years, and Equipment - 5-10 years.



**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Capital assets comprised the following at June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
<b>Fixed Route:</b>					
Capital assets not being depreciated:					
Land	\$3,973,472				\$3,973,472
Construction in Progress	16,748,890	\$5,436,656		(\$47,050)	22,138,496
Total capital assets not being depreciated	<u>20,722,362</u>	<u>5,436,656</u>		<u>(47,050)</u>	<u>26,111,968</u>
Capital assets being depreciated:					
Vehicles	32,905,809	1,788,631		47,050	34,741,490
Facilities	8,311,377	36,920			8,348,297
Equipment	5,182,585	52,774	(\$1,896)		5,233,463
Total capital assets being depreciated	<u>46,399,771</u>	<u>1,878,325</u>	<u>(1,896)</u>	<u>47,050</u>	<u>48,323,250</u>
Less accumulated depreciation for:					
Vehicles	(18,020,694)	(3,125,031)			(21,145,725)
Facilities	(4,970,932)	(247,717)			(5,218,649)
Equipment	(4,693,541)	(107,617)	1,422		(4,799,736)
Total accumulated depreciation	<u>(27,685,167)</u>	<u>(3,480,365)</u>	<u>1,422</u>		<u>(31,164,110)</u>
Total depreciable assets	<u>18,714,604</u>	<u>(1,602,040)</u>	<u>(474)</u>	<u>47,050</u>	<u>17,159,140</u>
Capital assets, net	<u>\$39,436,966</u>	<u>\$3,834,616</u>	<u>(\$474)</u>		<u>\$43,271,108</u>
<b>Paratransit</b>					
Capital assets being depreciated:					
Facilities	\$40,452				\$40,452
Equipment	114,153				114,153
Vehicles	1,895,728				1,895,728
Total capital assets being depreciated	<u>2,050,333</u>				<u>2,050,333</u>
Less accumulated depreciation for:					
Facilities	(15,559)	(\$3,112)			(18,671)
Equipment	(97,113)	(22,400)			(119,513)
Vehicles	(1,502,108)	(243,241)			(1,745,349)
Total accumulated depreciation	<u>(1,614,780)</u>	<u>(268,753)</u>			<u>(1,883,533)</u>
Total depreciable assets	<u>435,553</u>	<u>(268,753)</u>			<u>166,800</u>
Net Capital assets, net	<u>\$435,553</u>	<u>(\$268,753)</u>			<u>\$166,800</u>
<b>Total</b>					
Land and Construction in Progress	\$20,722,362	\$5,436,656		(\$47,050)	\$26,111,968
Depreciable Assets:					
Cost	48,450,104	1,878,325	(1,896)	47,050	50,373,583
Less accumulated depreciation for:	(29,299,947)	(3,749,118)	1,422		(33,047,643)
Net	<u>19,150,157</u>	<u>(\$1,870,793)</u>	<u>(\$474)</u>		<u>17,325,940</u>
All Capital Assets, net	<u>\$39,872,519</u>				<u>\$43,437,908</u>

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 5 – OPERATING GRANTS**

Under the State Transportation Development Act (the Act), the Metropolitan Transportation Commission (MTC) allocates funds from the County Local Transportation Fund (LTF) based on the Authority's available balance determined at the beginning of each fiscal year and the amount that the Authority requests through an annual claim process. At June 30, 2013, the MTC had unallocated balances not yet granted to the Authority, which are available to fund the Authority's future operating and capital needs. These funds are retained, in accordance with the California Administrative Code, in the LTF at the County of Alameda based on terms and conditions determined by MTC. A summary of these unallocated balances as of June 30, 2013 follows:

Source	Unallocated Balances
Transportation Development Act Funds	\$4,332,595
State Transit Assistance Funds:	
Revenue Based Funds	265,862
Population Based Funds	910,658
Total Unallocated Local Transportation Funds	\$5,509,115

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 5 – OPERATING GRANTS (Continued)**

The Authority's operating needs are determined as set forth below, by adjusting operating losses for certain items and adding back grant funding. MTC allocates State Transit Assistance, Article 4.0 and Article 4.5 funds to cover remaining net operating expenses. Under the Act, Article 4.0 funds may be used to cover Fixed Route Program and Paratransit Program expenses; Article 4.5 funds may only be used to cover Paratransit Program expenses. Unexpended grant funds at June 30, 2013 are calculated as follows:

Fiscal 2013 unexpended funds:	<u>Fixed Route Program</u>	<u>Paratransit Program</u>	<u>Total</u>
Operating loss	(\$13,282,064)	(\$1,300,193)	(\$14,582,257)
Add back:			
Depreciation	3,480,365	268,753	3,749,118
Interest and miscellaneous	<u>5,608</u>		<u>5,608</u>
Net operating expenses reimbursable by grants	<u>(9,796,091)</u>	<u>(1,031,440)</u>	<u>(10,827,531)</u>
Grants:			
County Measure B Grants	1,535,450	151,837	1,687,287
Local Operating Assistance	208,538		208,538
Bridge Tolls	663,388		663,388
Federal Transportation Administration: Operating Assistance	<u>1,897,680</u>	<u>304,235</u>	<u>2,201,915</u>
Net Operating Expenses reimbursable by LTF and STA funds	(5,491,035)	(575,368)	(6,066,403)
State Transit Assistance Receipts	1,944,252	66,997	2,011,249
LTF Receipts:			
Article 4.0	4,533,344	410,101	4,943,445
Article 4.5		<u>98,270</u>	<u>98,270</u>
Due to LTF - fiscal year 2012/2013	986,561		986,561
Due to LTF - beginning of year	<u>3,330,157</u>		<u>3,330,157</u>
Due to LTF - end of year	<u>\$4,316,718</u>		<u>\$4,316,718</u>

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 6 - PARATRANSIT OPERATING GRANT LIMITATIONS**

**A. General**

In addition to the calculations discussed in Note 5, two additional calculations for the Paratransit Program are required by MTC to determine eligibility and the amount, if any, that should be paid back to the County. The two calculations consist of a local match requirement of 10% and an eligibility requirement, as set forth below.

**B. Local Match Requirement**

Transit agencies are normally required to generate local revenues in excess of ten percent of operating expenses excluding depreciation. However the Transportation Development Act exempts LAVTA from this requirement.

**C. Maximum Article 4.5 and Measure B Eligibility**

Alameda County Measure B funds and Article 4.5 funds are limited to a maximum eligibility amount, which is calculated as follows:

	2013	2012
Operating expenses excluding depreciation	\$1,205,257	\$1,157,267
Less:		
Actual passenger fare revenues	(147,025)	(151,651)
Special contract revenue	(26,792)	(29,213)
Measure B GAP grant programs	(2,030)	
Article 4.0 LTF revenues	(410,101)	(351,700)
Maximum eligibility	\$619,309	\$624,703

The amount, if any, due to Alameda County is computed as follows:

Maximum eligibility	\$619,309	\$624,703
Less:		
Article 4.5 LTF revenues	(98,270)	(94,572)
State Transit Assistance	(66,997)	(66,624)
FTA operating assistance	(304,235)	(324,205)
Local sales tax/Measure B funds	(149,807)	(139,302)
Deficit (surplus) of Measure B revenue over maximum eligibility	\$0	\$0

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 6 - PARATRANSIT OPERATING GRANT LIMITATIONS (Continued)**

**D. Article 4.5 and STA Funds to be Returned**

The amount due to LTF is the difference between maximum eligibility and the total of TDA Article 4.5 revenues, if the total is greater than maximum eligibility.

	2013	2012
Maximum eligibility computed above	\$619,309	\$624,703
Total TDA Article 4.5 revenues	\$98,270	\$94,572
Amount, if any, to be returned to LTF	\$0	\$0
Amount, if any, to be returned to Alameda County	\$0	\$0

State Transit Assistance received by the Authority amounted to \$1,953,377 during fiscal year 2012-2013, which was expended for operating expenses of the Fixed Route Program.

**NOTE 7 - CAPITAL GRANTS**

**A. Summary**

The Authority's capital transactions and unexpended grant funds at June 30, 2013 are calculated as follows:

	Fixed Route Program	Paratransit Program	Total
Capital costs:			
Capital asset additions	(\$7,314,981)		(\$7,314,981)
Funding sources:			
FTA Capital Assistance	\$3,991,864		\$3,991,864
Local Transportation Fund 4.0	313,069		313,069
State STIP	1,688,355		1,688,355
State Transit Assistance	9,125		9,125
State Bond Fund - Prop 1B	1,242,373		1,242,373
Bridge tolls AB 664	70,195		70,195
Total Funding Sources	\$7,314,981		\$7,314,981

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 7 - CAPITAL GRANTS (Continued)**

**B. Prop 1B (PTMISEA) Projects**

During fiscal year 2008, the Authority had established two PTMISEA Projects which are the Bus Stop Improvements and the Route 10 Bus Rapid Transit Project. The Bus Stop Improvements Project is to improve bus stops within a quarter mile of low or very low income housing or at important life support destinations such as medical facilities, public services transportation hubs employment sites and shopping center. The Route 10 Bus Rapid Transit Project is to assist the new Route 10 line to optimize the mobility of all residents within the Cities of Livermore and Dublin to the I-580 and I-680 corridors.

A summary of the Authority's outstanding Proposition 1B revenue and expenditures for the year ended June 30, 2013 are as follows:

Project Name	Grant Amount	Interest Earned		Expended in Fiscal		Unearned Revenue
		Prior Years	2012-13	Prior Years	2012-13	
<b>PTMISEA PROGRAMS:</b>						
Route 10 Bus Rapid Transit Project	\$394,335	\$76		\$394,411		
FY 2012 Allocations-Engine Replacements	1,742,288	597	\$4,044	55,332	\$1,205,453	\$486,144
<b>OTHER PROGRAMS:</b>						
Radio Frequency	46,624	346		46,970		
Surveillance Equipment/ Cameras	36,696	247	91		36,920	114
Surveillance Equipment/ Cameras	36,696		7			36,703
<b>Total Prop 1B</b>	<b>\$2,256,639</b>	<b>\$1,266</b>	<b>\$4,142</b>	<b>\$496,713</b>	<b>\$1,242,373</b>	<b>522,961</b>
Other Unearned Revenues						20,892
<b>Total Unearned Revenues</b>						<b>\$543,853</b>

**NOTE 8 – NET POSITION**

Net Position is the excess of all the Authority's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position are divided into three captions and apply only to Net Position, which is determined only at the Government-wide level, and are 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, less the outstanding balance of any debt issued to finance these assets.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 9 - PENSION PLAN**

Substantially all of the Authority's employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer cost sharing pool, defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefit provisions under the Plan are established by State statute and Authority resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the Authority must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Retirement age	50
Monthly benefits, as a % of annual salary	1.426% - 2.418%
Required employee contribution rates	7%
Required employer contribution rates	10.238%

The Authority's personnel policy requires it to pay employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the Authority's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The Authority uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions.

Recent Annual Pension Costs, which equal the Annual Required Contribution to CALPERS, were as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution Rate</u>
6/30/2011	\$149,626	100%
6/30/2012	169,409	100%
6/30/2013	148,056	100%

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 9 - PENSION PLAN (Continued)**

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over eighteen years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

CALPERS latest available actuarial value (which differs from market value) and funding progress for the State-wide pool are set forth below at their actuarial valuation date of June 30, 2010.

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2008	\$2,780,280,768	\$2,547,323,278	\$232,957,490	91.6%	\$688,606,681	33.8%
2009	3,104,798,222	2,758,511,101	346,287,121	88.8%	742,981,488	46.6%
2010	3,309,064,934	2,946,408,106	362,656,828	89.0%	748,401,352	48.5%

Assembly Bill 340 (AB 340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member under PEPRA.

The table below provides the details of the new provisions.

Benefit Formula	Miscellaneous 2% at Age 60
Final Compensation Period	3 Year Final Compensation
Employer Contribution Rate as a percentage payroll	6.25%
Member Contribution Rate as a percentage of payroll	6.25%

The employer contribution rate listed above is in effect until June 30, 2015. In accordance with the provisions of AB 340, the member contribution rate shown above was set at 50 percent of the expected total normal cost rate for the benefits that will apply to new members on January 1, 2013. The total normal cost rate used for this calculation is 12.5 percent of payroll for new members.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.



**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 10 – DEFERRED COMPENSATION PLAN**

The Authority employees may defer a portion of their compensation under an Authority sponsored Deferred Compensation Plan 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.

**NOTE 11 – RETIREE MEDICAL BENEFITS**

**A. Summary**

The Authority provides postretirement health care benefits to full time employees who retire directly from the Authority after attaining the age of 50 with 5 years of service. As of June 30, 2013, there were 6 participants receiving these health care benefits.

The Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this Statement are applied prospectively and do not affect prior year's financial statements. Required disclosures are presented below.

The Authority joined the California Employers' Retiree Benefit Trust (CERBT), an agent multiple-employer plan administered by CALPERS, consisting of an aggregation of single-employer plans. This trust is not considered a component unit of the Authority and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

In order to qualify for postemployment medical benefits, an employee must retire from the Authority and maintain enrollment in one of Authority's eligible health plans. The Authority pays 100% of the medical premium for each employee or retiree and his or her family members (including survivors, if covered at the time of the employees death) up to a maximum of the premium for the highest cost HMO.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 11 – RETIREE MEDICAL BENEFITS (Continued)**

**B. Funding Policy and Actuarial Assumptions**

The Authority’s policy, according to Resolution 17-2010, is to fund the Annual Required Contribution (ARC) of these benefits by accumulating assets with CERBT discussed above pursuant to the Authority’s annual budget approved by Board. The annual required contribution (ARC) was determined as part of a June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.61% investment rate of return, (b) 3% projected annual salary increase, (c) 3% inflation, and (d) health care cost rate of 4% per year for medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-ennially as results are compared to past expectations and new estimates are made about the future. The Authority’s OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a ten year amortization period on a closed basis.

**C. Funding Progress and Funded Status**

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2013, the Authority calculated and recorded the Net OPEB Obligation, representing the difference between the ARC, amortization and contributions, as presented below:

Annual required contribution (ARC)	\$162,186
Interest on Net OPEB Asset	4,932
Adjustment to the ARC	<u>2,407</u>
Annual OPEB cost	169,525
Contributions made:	
Authority's portion of current year premiums paid	70,015
Contributions to the trust	<u>162,186</u>
Total contributions	<u>232,201</u>
Increase in Net OPEB Asset	62,676
Net OPEB Asset at June 30, 2012	<u>64,812</u>
<b>Net OPEB Asset June 30, 2013</b>	<b><u><u>\$127,488</u></u></b>

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 11 – RETIREE MEDICAL BENEFITS (Continued)**

The Plan’s annual require contributions and actual contributions for the years ended June 30, 2011, June 30, 2012, and June 30, 2013 are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB (Obligation) Asset</u>
6/30/2011	\$126,043	\$180,909	144%	\$49,083
6/30/2012	126,907	179,676	142%	64,812
6/30/2013	169,525	232,201	137%	127,488

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the last three actuarial studies is presented below:

<u>Valuation Date</u>	<u>Actuarial</u>		<u>Overfunded (Underfunded) Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll</u>
	<u>Value of Assets</u>	<u>Accrued Liability</u>				<u>Overfunded (Underfunded) Accrued Liability</u>
6/30/2009	\$0	\$921,629	(\$921,629)	0%	\$877,589	-105%
6/30/2011	220,649	723,538	(502,889)	30%	1,599,656	-31%

**NOTE 12 - 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.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2013**

**NOTE 13 - MAJOR CONTRACTOR**

On April 26, 2011, the Authority renewed its contract agreement with MV Transportation Inc. to operate and maintain the fixed route program. The term is from July 1, 2011, to June 30, 2014, with an option to extend up to four additional one-year terms. MV Transportation Inc. is paid monthly based on a fixed fee plus a fee calculated at a fixed rate of \$37.61 per vehicle multiplied by the number of service hours. Expenses incurred under this contract amounted to \$7,235,594 for the fiscal year ended June 30, 2013.

In addition, on April 21, 2011, the Authority entered into a contract agreement with American Logistics Company, LLC, to operate and maintain the Paratransit program. The term of this agreement is from July 1, 2011, to June 30, 2014, with an option to extend for up to four additional one-year terms. American Logistics Company, LLC, is paid monthly based on a fixed rate per-trip less a Paratransit fare credit per-ride due the Authority. Expenses incurred under this contract amounted to \$1,017,384 for the fiscal year ended June 30, 2013.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
SCHEDULE OF OPERATING REVENUES AND EXPENSES BY FUNCTION  
FOR THE YEAR ENDED JUNE 30, 2013  
WITH SUMMARIZED TOTALS FOR THE YEAR OF JUNE 30, 2012

	Fixed Route	Paratransit	Totals	
			2013	2012
<b>REVENUES</b>				
Fares	\$1,787,567	\$147,025	\$1,934,592	\$1,917,312
Special contract revenue	521,441	26,792	548,233	307,590
Advertising	222,653		222,653	365,394
Interest and miscellaneous	5,608		5,608	3,270
Local Transportation Funds 4.0	3,546,783	410,101	3,956,884	5,476,346
Local Transportation Funds 4.5		98,270	98,270	94,572
State Transit Assistance	1,944,252	66,997	2,011,249	348,781
Local operating assistance	208,538		208,538	540,671
FTA operating assistance	1,897,680	304,235	2,201,915	2,250,272
Local sales tax/Measure B funds - allocations	793,899	149,807	943,706	881,168
Local sales tax/Measure B funds - Taxi study	741,551	2,030	743,581	1,010,291
Bridge tolls	663,388		663,388	580,836
<b>Total Revenues</b>	<b>\$12,333,360</b>	<b>\$1,205,257</b>	<b>\$13,538,617</b>	<b>\$13,776,503</b>
<b>EXPENSES</b>				
Labor	\$949,800	\$70,676	\$1,020,476	\$1,018,186
Fringe benefits	564,112	35,287	599,399	629,741
Services	673,883	15,547	689,430	576,894
Purchased transportation	8,078,745	1,064,120	9,142,865	8,954,949
Fuel, parts, supplies and other operation costs	1,766,792	3,465	1,770,257	1,722,054
Insurance	73,613		73,613	502,338
Administration and legal	226,415	16,162	242,577	372,341
Depreciation	3,480,365	268,753	3,749,118	3,984,765
<b>Total Expenses</b>	<b>\$15,813,725</b>	<b>\$1,474,010</b>	<b>\$17,287,735</b>	<b>\$17,761,268</b>

3

STATISTICAL  
SECTION

## STATISTICAL SECTION

This part of the Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

### ***Financial Trends***

These schedules contain trend information to help the reader understand how the Authority's financial performance and well being have changed over time:

1. Changes in Net Position and Statement of Net Position
2. Operating Revenues by Source
3. Operating Expenses by Function

### ***Revenue Capacity & Demographic and Economic Information***

*Revenue Capacity* -These schedules contain information to help the reader assess the Authority's most significant local revenue source, fare box revenues.

*Demographic and Economic Information* - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Since the Authority analyzes its primary "own source" revenues using demographic data from its ridership, data for the above two sections have been combined for the reader.

1. Fixed Route Service Operating Data
2. Fixed Route Operating Statistics
3. Fixed Route Safety Statistics
4. Paratransit Services-Operating Data
5. Paratransit Operating Statistics
6. Percent of On-time Departures
7. Demographic and Economic Statistics
8. Principal Employers

### ***Debt Capacity***

The Authority has not issued any long term debt since its formation.

### ***Operating Information***

These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs:

1. Full-Time Equivalent Authority Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

### ***Sources***

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Authority implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**Financial Trends**  
**Changes in Net Position and Statement of Net Position**  
**Last Ten Fiscal Years**

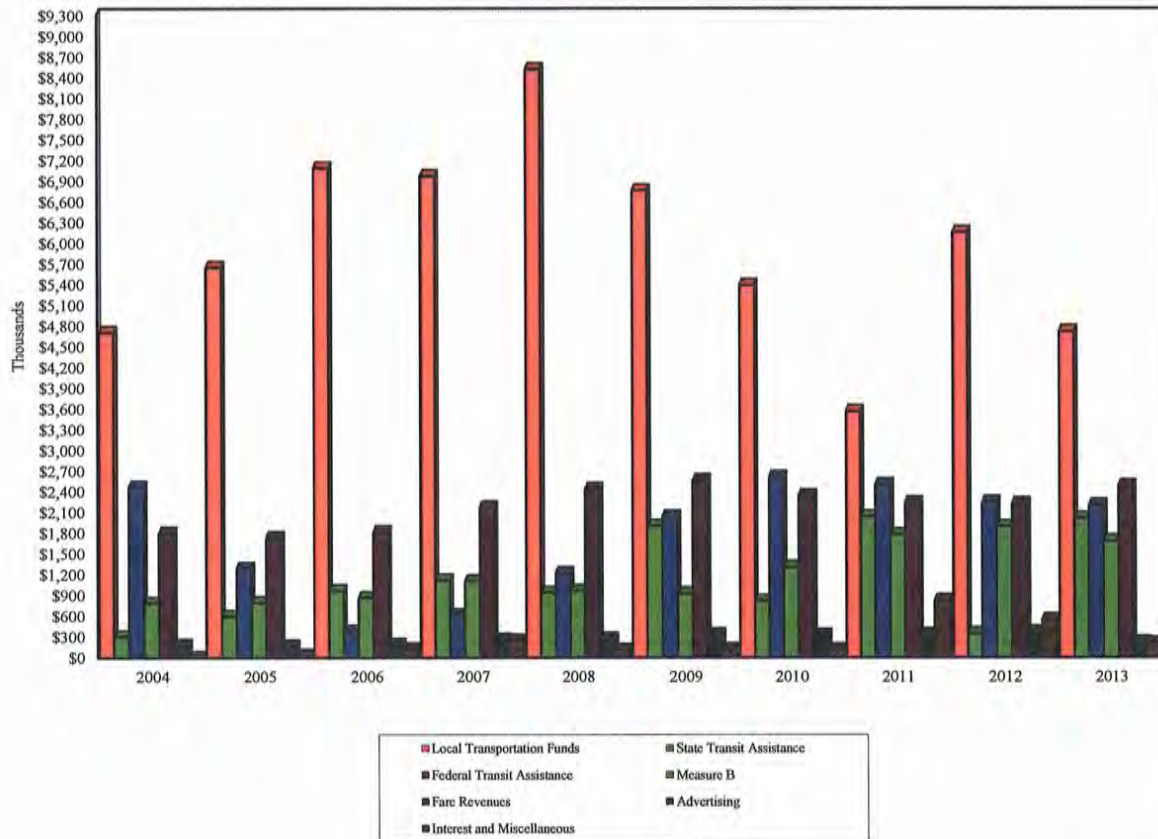
	Year Ended June 30,			
	2004	2005	2006	2007
<b>Operating Revenues:</b>				
Fare Revenue & Special Contract Revenue	\$1,798,519	\$1,730,775	\$1,818,670	\$2,171,707
Advertising & Ticket Concessions	176,550	165,748	185,066	255,715
<b>Total Operating Revenues</b>	<b>1,975,069</b>	<b>1,896,523</b>	<b>2,003,736</b>	<b>2,427,422</b>
<b>Operating Expenses:</b>				
Board of Directors	63,044	65,585	14,166	16,604
Executive Director	142,161	176,409	190,979	204,540
Administrative Services	767,569	660,188	702,453	816,202
Planning	305,121	272,449	127,899	522,690
Marketing	199,362	279,531	350,464	424,933
Operations	8,757,895	8,800,844	10,032,115	10,483,366
Depreciation	1,486,657	2,408,131	2,852,254	2,992,874
<b>Total Operating Expenses</b>	<b>11,721,809</b>	<b>12,663,137</b>	<b>14,270,330</b>	<b>15,461,209</b>
<b>Operating loss</b>	<b>(9,746,740)</b>	<b>(10,766,614)</b>	<b>(12,266,594)</b>	<b>(13,033,787)</b>
<b>Nonoperating Revenues (Expenses):</b>				
Local Transportation Funds	4,702,542	5,642,370	7,083,016	6,962,330
State Transit Assistance	302,314	595,400	961,000	1,118,182
Local Operating Assistance				
Federal Transit Assistance	2,468,142	1,289,211	381,354	614,146
Measure B	783,987	796,358	866,334	1,102,162
Bridge tolls			58,000	100,000
Interest and Miscellaneous	3,097	35,143	64,636	144,093
Loss on disposal of capital assets	(380,523)	(156,330)	(12,950)	(90,178)
<b>Total Nonoperating Revenues</b>	<b>7,879,559</b>	<b>8,202,152</b>	<b>9,401,390</b>	<b>9,950,735</b>
<b>Add Capital contributions (grants)</b>				
STP/CMAQ Grant	10,872,374	30,883		
FTA Capital Assistance	791,050		1,075,862	2,988,881
Local Transportation Funds 4.0	683,445	424,798	241,507	1,552,536
AVL State	2,367,115	22,872		
Bridge Tolls		7,050	183,897	702,124
Local Sales / Measure B				
State Bond Fund - Prop 1B				
State Transit Assistance				
STIP			66,252	
Contractor Contribution				
City of Livermore Park and Ride Facility	(742,644)			
<b>Total Capital Contributions</b>	<b>13,971,340</b>	<b>485,603</b>	<b>1,567,518</b>	<b>5,243,541</b>
<b>Change in net position</b>	<b>12,104,159</b>	<b>(2,078,859)</b>	<b>(1,297,686)</b>	<b>2,160,489</b>
Net position - beginning of period	14,846,591	26,950,750	24,871,891	23,574,205
Net position - end of period	<u>\$26,950,750</u>	<u>\$24,871,891</u>	<u>\$23,574,205</u>	<u>\$25,734,694</u>
<b>Statement of Net Position</b>				
Net investment in capital assets	<u>\$26,950,750</u>	<u>\$24,871,891</u>	<u>\$23,574,205</u>	<u>\$25,734,694</u>

Source: LAVTA's basic financial statements.



<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
\$2,439,990	\$2,563,937	\$2,341,303	\$2,238,915	\$2,224,902	\$2,482,825
272,348	336,458	327,377	332,274	365,394	222,653
<u>2,712,338</u>	<u>2,900,395</u>	<u>2,668,680</u>	<u>2,571,189</u>	<u>2,590,296</u>	<u>2,705,478</u>
15,526	24,922	10,670	12,100	13,800	11,900
203,844	236,926	238,527	223,373	256,528	256,794
1,280,040	1,573,255	1,382,776	1,389,776	1,433,790	1,451,961
453,048	490,632	489,442	474,195	445,676	467,394
462,340	399,096	432,056	465,480	481,728	297,587
12,052,937	11,922,206	10,356,462	10,719,199	11,144,981	11,052,981
3,173,773	3,090,734	3,499,951	3,542,369	3,984,765	3,749,118
<u>17,641,508</u>	<u>17,737,771</u>	<u>16,409,884</u>	<u>16,826,492</u>	<u>17,761,268</u>	<u>17,287,735</u>
<u>(14,929,170)</u>	<u>(14,837,376)</u>	<u>(13,741,204)</u>	<u>(14,255,303)</u>	<u>(15,170,972)</u>	<u>(14,582,257)</u>
8,516,655	6,754,812	5,390,330	2,876,917	5,570,918	4,055,154
942,300	1,901,482	817,396	2,040,616	348,781	2,011,249
		85,883	758,038	540,671	208,538
1,220,064	2,038,314	2,611,235	2,503,783	2,250,272	2,201,915
961,815	931,851	1,307,095	1,782,765	1,891,459	1,687,287
101,500	101,500		686,001	580,836	663,388
13,063	18,683	29,314	64,814	3,270	5,608
(91,593)	(177,346)	(248,369)	296,844	(218,247)	(474)
<u>11,663,804</u>	<u>11,569,296</u>	<u>9,992,884</u>	<u>11,009,778</u>	<u>10,967,960</u>	<u>10,832,665</u>
2,732,848	698,618	10,009,505	6,429,256	802,913	3,991,864
1,071,421	522,895	2,030,479	498,903	281,898	313,069
	621,139	74,999	225,322		70,195
	109,200				
	812,646	265,557	153,154	496,713	1,242,373
				114,047	9,125
1,500,000				2,311,645	1,688,355
				104,970	
<u>5,304,269</u>	<u>2,764,498</u>	<u>12,380,540</u>	<u>7,306,635</u>	<u>4,112,186</u>	<u>7,314,981</u>
<u>2,038,903</u>	<u>(503,582)</u>	<u>8,632,220</u>	<u>4,061,110</u>	<u>(90,826)</u>	<u>3,565,389</u>
<u>25,734,694</u>	<u>27,773,597</u>	<u>27,270,015</u>	<u>35,902,235</u>	<u>39,963,345</u>	<u>39,872,519</u>
<u>\$27,773,597</u>	<u>\$27,270,015</u>	<u>\$35,902,235</u>	<u>\$39,963,345</u>	<u>\$39,872,519</u>	<u>\$43,437,908</u>
<u>\$27,773,597</u>	<u>\$27,270,015</u>	<u>\$35,902,235</u>	<u>\$39,963,345</u>	<u>\$39,872,519</u>	<u>\$43,437,908</u>

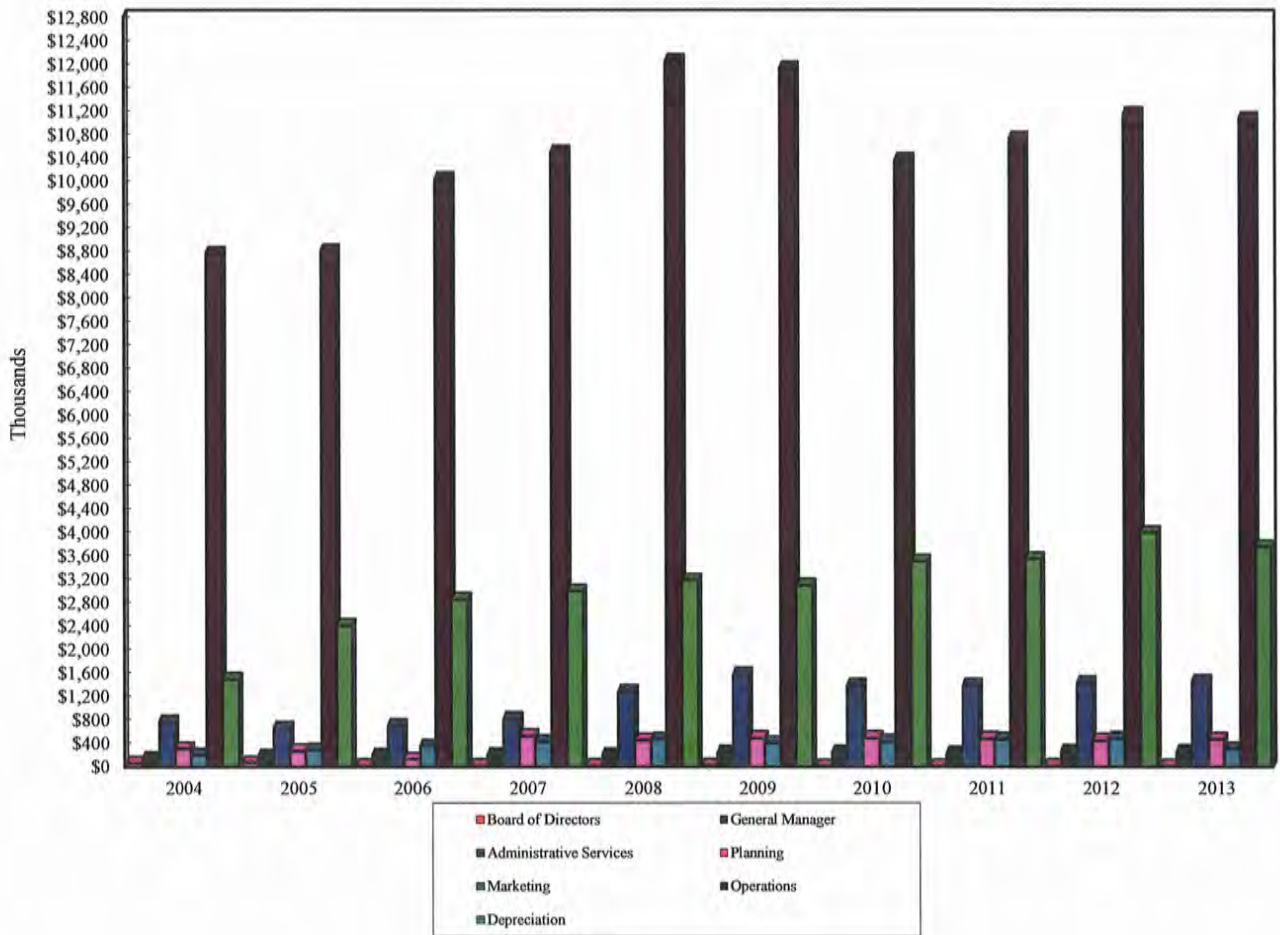
**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
OPERATING REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**



Fiscal Year	Local Transportation Funds	State Transit Assistance	Federal Transit Assistance	Measure B	Fare Revenues & Special Contract Revenue	Advertising & Ticket Concessions	Local Operating Assistance, Interest and Miscellaneous	Total
2004	\$4,702,542	\$302,314	\$2,468,142	\$783,987	\$1,798,519	\$176,550	\$3,097	\$10,235,151
2005	5,642,370	595,400	1,289,211	796,358	1,730,775	165,748	35,143	10,255,005
2006	7,083,016	961,000	381,354	866,334	1,818,670	185,066	122,636	11,418,076
2007	6,962,330	1,118,182	614,146	1,102,162	2,171,707	255,715	244,093	12,468,335
2008	8,516,655	942,300	1,220,064	961,815	2,439,990	272,348	114,563	14,467,735
2009	6,754,812	1,901,482	2,038,314	931,851	2,563,937	336,458	120,183	14,647,037
2010	5,390,330	817,396	2,611,235	1,307,095	2,341,303	327,377	115,197	12,909,933
2011	3,562,918	2,040,616	2,503,783	1,782,765	2,238,915	332,274	822,852	13,284,123
2012	6,151,754	348,781	2,250,272	1,891,459	2,224,902	365,394	543,941	13,776,503
2013	4,718,542	2,011,249	2,201,915	1,687,287	2,482,825	222,653	214,146	13,538,617

Source: Livermore Amador Valley Transit Authority Audit Reports

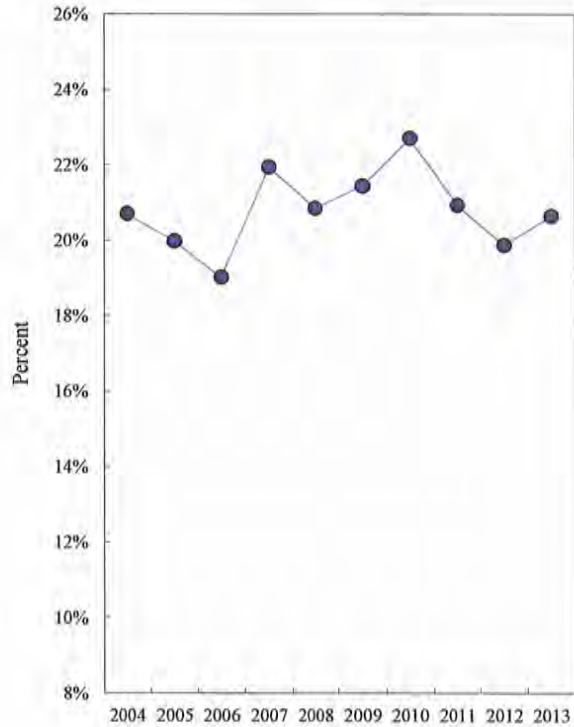
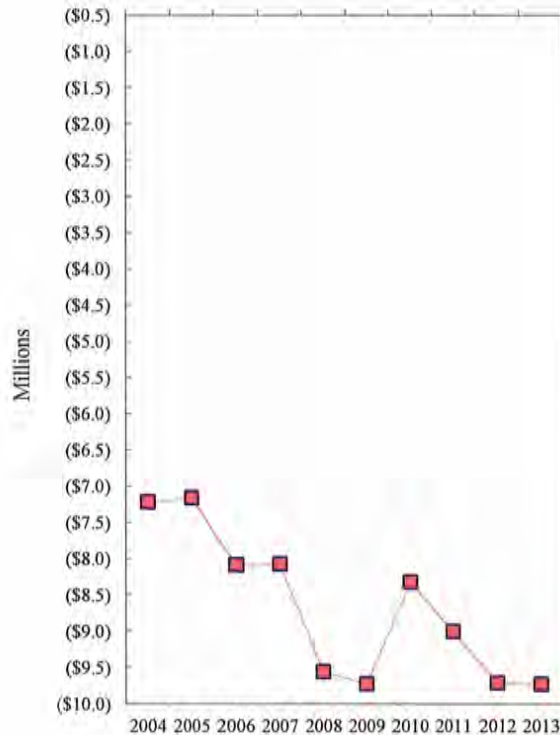
**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
OPERATING EXPENSES BY FUNCTION  
LAST TEN FISCAL YEARS**



<u>Fiscal Year</u>	<u>Board of Directors</u>	<u>General Manager</u>	<u>Administrative Services</u>	<u>Planning</u>	<u>Marketing</u>	<u>Operations</u>	<u>Depreciation</u>	<u>Total</u>
2004	\$63,044	\$142,161	\$767,569	\$305,121	\$199,362	\$8,757,895	\$1,486,657	\$11,721,809
2005	65,585	176,409	660,188	272,449	279,531	8,800,844	2,408,131	12,663,137
2006	14,166	190,979	702,453	127,899	350,464	10,032,115	2,852,254	14,270,330
2007	16,604	204,540	816,202	522,690	424,933	10,483,366	2,992,874	15,461,209
2008	15,526	203,844	1,280,040	453,048	462,340	12,052,937	3,173,773	17,641,508
2009	24,922	236,926	1,573,255	490,632	399,096	11,922,206	3,090,734	17,737,771
2010	10,670	238,527	1,382,776	489,442	432,056	10,356,462	3,499,951	16,409,884
2011	12,100	223,373	1,389,776	474,195	465,480	10,719,199	3,542,369	16,826,492
2012	13,800	256,528	1,433,790	445,676	481,728	11,144,981	3,984,765	17,761,268
2013	11,900	256,794	1,451,961	467,394	297,587	11,052,981	3,749,118	17,287,735

Source: Livermore Amador Valley Transit Authority Audit Reports

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
FIXED ROUTE SERVICE-OPERATING DATA  
LAST TEN FISCAL YEARS**



—■— Operating Losses

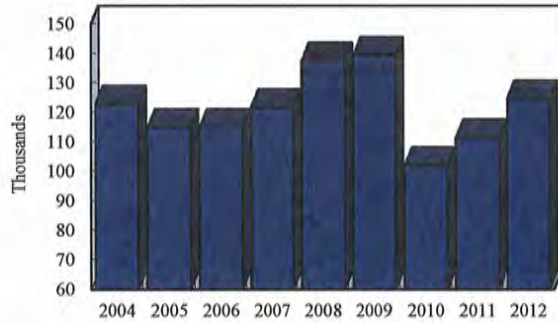
—●— Farebox Recovery Ratio

<u>Fiscal Year</u>	<u>Operating Expenses Excluding Insurance and Depreciation</u>	<u>Fare &amp; Auxiliary Transportation Revenues</u>	<u>Operating Loss Before Insurance and Depreciation</u>	<u>Farebox Recovery Ratio</u>
2004	\$9,103,569	\$1,885,093	(\$7,218,476)	20.7%
2005	8,945,946	1,787,615	(7,158,331)	20.0%
2006	9,985,794	1,899,860	(8,085,934)	19.0%
2007	10,340,040	2,268,995	(8,071,045)	21.9%
2008	12,074,017	2,517,855	(9,556,162)	20.9%
2009	12,379,790	2,655,341	(9,724,449)	21.4%
2010	10,768,750	2,446,180	(8,322,570)	22.7%
2011	11,384,641	2,383,763	(9,000,878)	20.9%
2012	12,117,793	2,409,432	(9,708,361)	19.9%
2013	12,259,747	2,531,661	(9,728,086)	20.7%

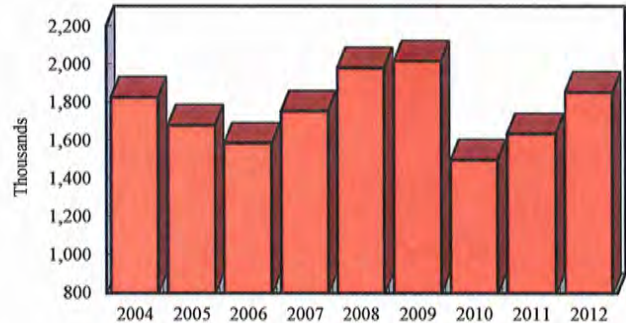
Source: Livermore Amador Valley Transit Authority Audit Reports

Note: Fare & Auxiliary Transportation Revenues includes Fare Revenues, Special Contract Revenues, Advertising and Ticket Concession Revenues.

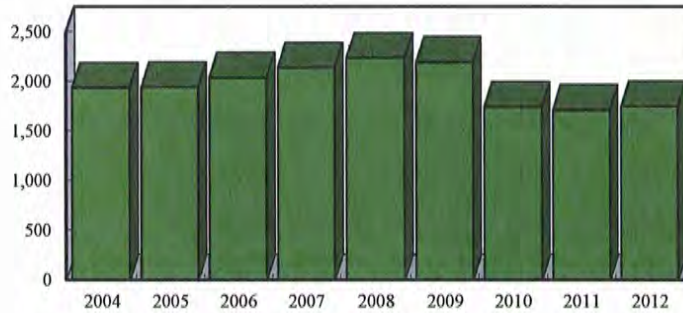
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
 FIXED ROUTE OPERATING STATISTICS  
 LAST TEN FISCAL YEARS



■ Revenue Hours



■ Revenue Miles

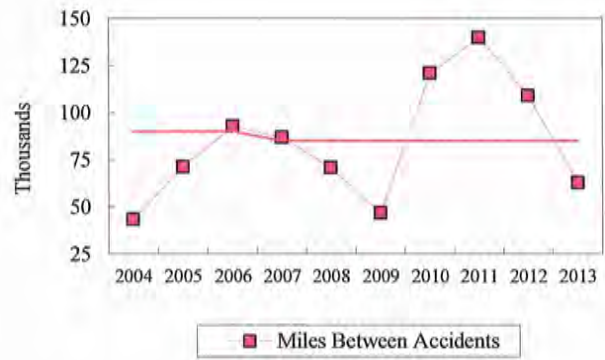
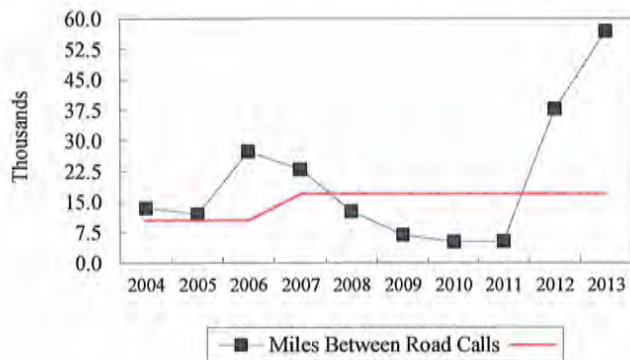


■ Passengers

<u>Fiscal Year</u>	<u>Revenue Hours</u>	<u>Revenue Miles</u>	<u>Passengers</u>
2004	122,909	1,827,613	1,936,206
2005	114,885	1,680,240	1,943,310
2006	115,044	1,587,613	2,036,955
2007	121,686	1,756,274	2,136,005
2008	137,452	1,983,822	2,234,210
2009	139,304	2,017,218	2,194,898
2010	102,047	1,500,165	1,740,297
2011	111,484	1,637,604	1,712,879
2012	124,702	1,855,438	1,749,168
2013	124,353	1,822,867	1,727,085

Source: National Transit Database Report (Formerly Section 15)

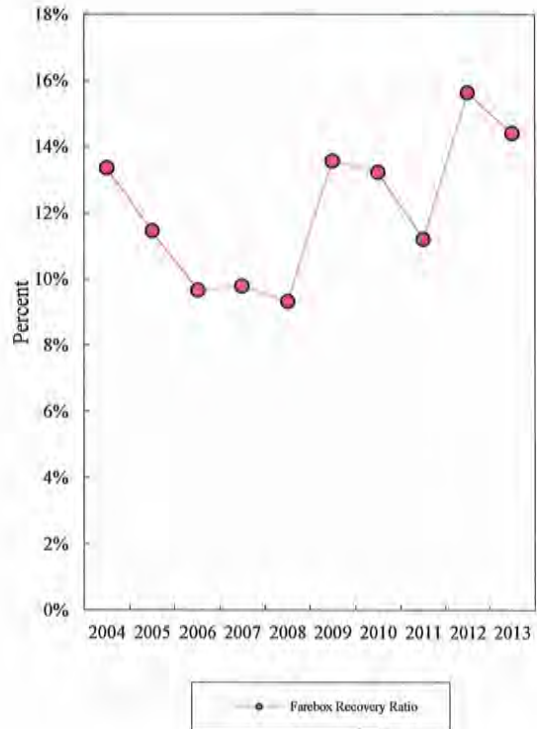
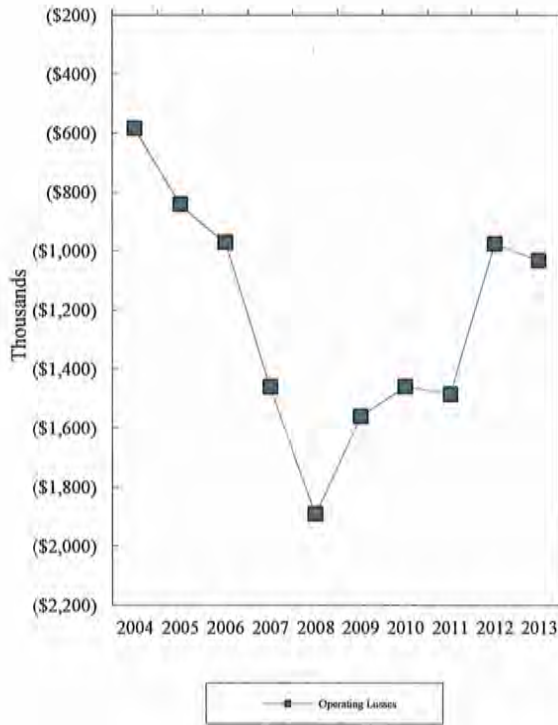
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
 FIXED ROUTE SAFETY STATISTICS  
 LAST TEN FISCAL YEARS



Fiscal Year	Miles Between Road Calls	Goal	Miles Between Accidents	Goal	Injuries/Boardings	Goal
2004	13,540	10,500	43,515	90,000	3/1,936,206	0.00001
2005	12,041	10,500	71,355	90,000	2/1,944,493	0.00001
2006	27,459	17,000-20,000	92,804	85,000-100,000	0/2,036,955	N/A
2007	23,020	17,000-20,000	86,964	85,000-100,000	3/2,136,005	N/A
2008	12,750	17,000-20,000	70,850	85,000-100,000	3/2,234,210	N/A
2009	6,861	17,000-20,000	46,912	85,000-100,000	2/2,194,898	N/A
2010	5,233	17,000-20,000	120,982	85,000-100,000	3/1,740,297	N/A
2011	5,323	17,000-20,000	139,923	85,000-100,000	3/1,712,879	N/A
2012	37,866	17,000-20,000	109,143	85,000-100,000	8/1,749,168	N/A
2013	56,965	17,000-20,000	62,857	85,000-100,000	5/1,727,085	N/A

Source: Livermore Amador Valley Transit Authority Short Range Transit Plans Contractor Service Quality Standards Index and NTD Safety and Security Report

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
PARATRANSIT SERVICES-OPERATING DATA  
LAST TEN FISCAL YEARS**

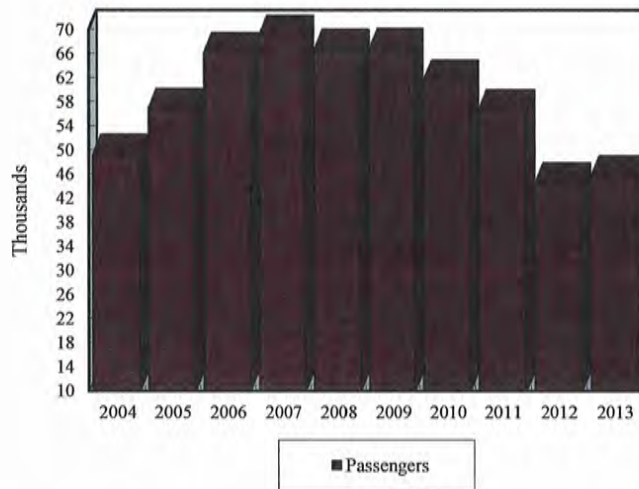
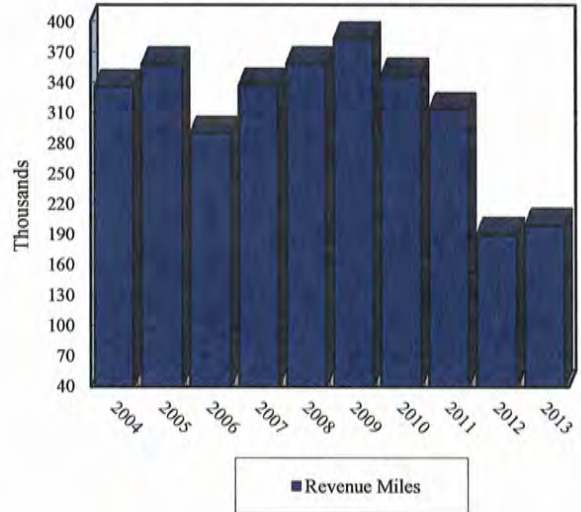
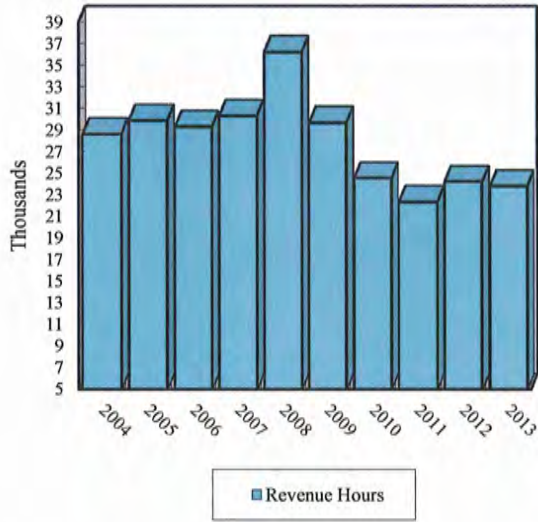


<u>Fiscal Year</u>	<u>Operating Expenses Excluding Insurance and Depreciation</u>	<u>Fare &amp; Auxiliary Transportation Revenues</u>	<u>Operating Loss Before Insurance and Depreciation</u>	<u>Farebox Recovery Ratio</u>
2004	\$673,602	\$89,976	(\$583,626)	13.4%
2005	950,426	108,908	(\$841,518)	11.5%
2006	1,074,075	103,876	(\$970,199)	9.7%
2007	1,618,198	158,427	(\$1,459,771)	9.8%
2008	2,084,737	194,483	(\$1,890,254)	9.3%
2009	1,805,246	245,054	(\$1,560,192)	13.6%
2010	1,680,661	222,500	(\$1,458,161)	13.2%
2011	1,671,585	187,426	(\$1,484,159)	11.2%
2012	1,156,372	180,864	(\$975,508)	15.6%
2013	1,205,257	173,817	(\$1,031,440)	14.4%

Source: Livermore Amador Valley Transit Authority

Note: Fare & Auxiliary Transportation Revenues includes Fare Revenues, Special Contract Revenues, Advertising and Ticket Concession Revenues

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
 PARATRANSIT OPERATING STATISTICS  
 LAST TEN FISCAL YEARS

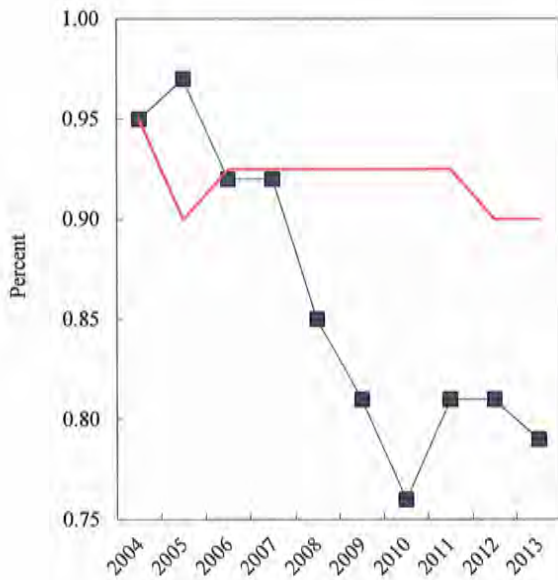


Fiscal Year	Revenue Hours	Revenue Miles	Passengers
2004	28,634	335,554	49,283
2005	29,859	357,744	56,934
2006	29,294	289,595	66,198
2007	30,311	336,835	69,016
2008	36,224	358,386	66,714
2009	29,689	383,051	66,870
2010	24,551	347,357	61,619
2011	22,350	312,903	56,795
2012	24,218	190,026	44,596
2013	23,807	199,011	45,704

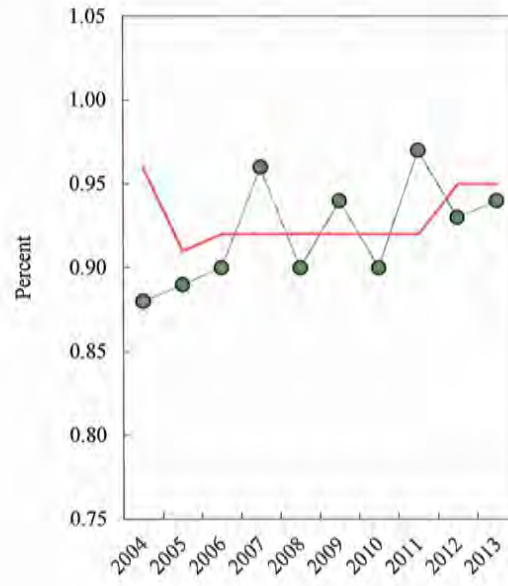
Source: National Transit Database Report (Formerly Section 15)



LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
 PERCENT OF ON-TIME DEPARTURES  
 LAST TEN FISCAL YEARS



■ Fixed Route On-Time...



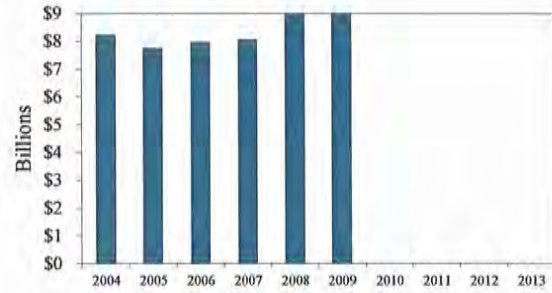
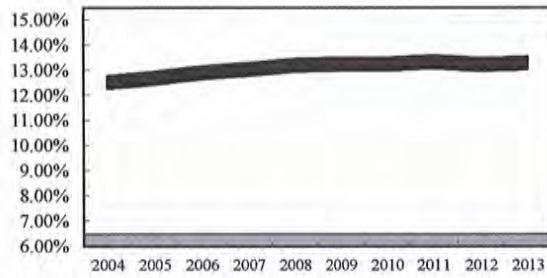
● Paratransit On-Time...

Fiscal Year	Fixed Route		Paratransit	
	On-Time Departure	Goal	On-Time Departure	Goal
2004	0.95	0.95	0.88	0.96
2005	0.97	0.95	0.89	0.96
2006	0.92	0.90-0.95	0.90	0.91-0.93
2007	0.92	0.90-0.95	0.96	0.91-0.93
2008	0.85	0.90-0.95	0.90	0.91-0.93
2009	0.81	0.90-0.95	0.94	0.91-0.93
2010	0.76	0.87-0.83	0.90	0.91-0.93
2011	0.81	0.87-0.83	0.97	0.91-0.93
2012	0.81	0.90	0.93	≤ 0.95
2013	0.79	0.90	0.94	≤ 0.95

Source: Livermore Amador Valley Transit Authority Short Range Transit Plans or Contractor Service Quality Standards Index

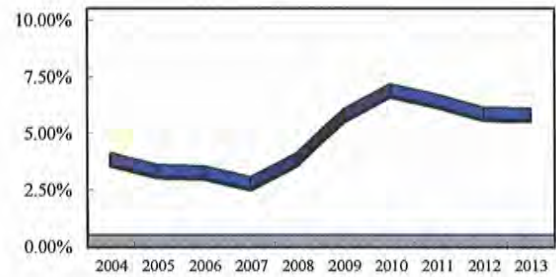
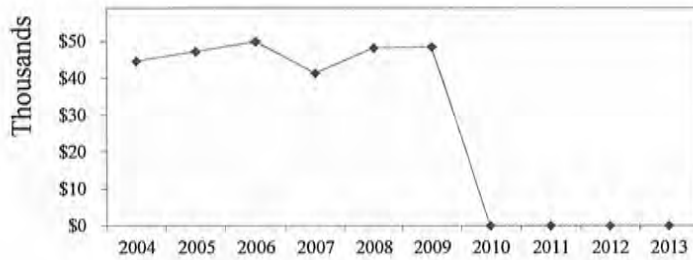
Note: Charts include all available data

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**



■ City Population as a % of County Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate (%)

Fiscal Year	Authority Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Alameda County Population	Authority Population % of County
2004	183,979	\$ 8,224,446,000	\$ 44,703	3.60%	1,498,125	12.28%
2005	187,580	7,754,101,000	47,294	3.07%	1,507,500	12.44%
2006	191,223	7,968,503,116	49,908	3.00%	1,510,303	12.66%
2007	194,805	8,057,049,255	41,360	2.53%	1,522,597	12.79%
2008	199,926	9,638,122,156	48,208	3.60%	1,543,000	12.96%
2009	202,428	9,816,295,711	48,493	5.53%	1,556,657	13.00%
2010	202,568	info not avail	info not avail	6.63%	1,557,749	13.00%
2011	199,073	info not avail	info not avail	6.17%	1,521,157	13.09%
2012	198,893	info not avail	info not avail	5.60%	1,532,137	12.98%
2013	202,002	info not avail	info not avail	5.57%	1,548,681	13.04%

Source: California State Department of Finance  
City CAFRS and websites  
Note: All available data has been included.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY  
 PRINCIPAL EMPLOYERS  
 Current Fiscal Year

<u>Employer</u>	<u>2012-13</u>		<u>Percentage of Total Authority Population</u>
	<u>Number of Employees</u>	<u>Rank</u>	
Lawrence Livermore National Lab	6,616	1	3.3%
Kaiser Permanente	5,005	2	2.5%
Safeway, Inc.	3,300	3	1.6%
U.S. Government	2,100	4	1.0%
Oracle	1,488	5	0.7%
Pleasanton Unified School District	1,114	6	0.6%
Valley Medical Care	1,075	7	0.5%
Zeiss Meditec	973	8	0.5%
Workday, Inc.	970	9	0.5%
Sybase Corporation	725	10	0.4%
Subtotal	<u>23,366</u>		<u>11.6%</u>
Total Authority Population	<u>202,002</u>		

Source: City of Dublin, City of Livermore, City of Pleasanton CAFRs

NOTE: Data from nine years prior is not available.

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**Full-Time Equivalent Authority Employees by Function**  
**Last Ten Fiscal Years**

	Adopted for Fiscal Year Ended June 30,				
	2004	2005	2006	2007	2008
<b>Function</b>					
Executive Director	1.00	1.00	1.00	1.00	1.00
Administrative Services	3.00	3.00	4.00	4.00	7.00
Planning	1.00	1.00	1.00	2.00	4.00
Marketing	1.50	1.50	2.00	2.00	2.00
Operations	1.50	2.50	2.00	2.00	0.00
<b>Total</b>	<b>8.00</b>	<b>9.00</b>	<b>10.00</b>	<b>11.00</b>	<b>14.00</b>

	Adopted for Fiscal Year Ended June 30,				
	2009	2010	2011	2012	2013
<b>Function</b>					
Executive Director	1.00	1.00	1.00	1.00	1.00
Administrative Services	7.00	8.00	8.00	8.00	8.00
Planning	5.00	5.00	5.00	5.00	4.00
Marketing	2.00	2.00	2.00	2.00	2.00
Operations	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>15.00</b>	<b>16.00</b>	<b>16.00</b>	<b>16.00</b>	<b>15.00</b>

Source: Livermore/Amador Valley Transit Authority

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Function/Program</b>					
<b>Fixed Route</b>					
Total Vehicles	75	74*	74*	74	64**
Average Fleet Age	8.82	6.37	7.2	8.20	8.00
Vehicles Operated In			44	45	47
Maximum Service	49	44			
<b>Paratransit</b>					
Total Vehicles	18	18	18	27	24
Average Fleet Age	5.17	6.17	7	n/a	3.87
Vehicles Operated In			16	17	18
Maximum Service	12	15			
<b>Shared Stations Maintenance Facilities</b>	2	2	2	2	2

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Function/Program</b>					
<b>Fixed Route</b>					
Total Vehicles	65	59	74	74	74***
Average Fleet Age	8.42	7.97	8.11	8.29	9.40
Vehicles Operated In	48	46	51	51	51
Maximum Service					
<b>Paratransit</b>					
Total Vehicles	21	18	18	18	15
Average Fleet Age	4.43	4.33	4.33	4.80	5.00
Vehicles Operated In	14	12	12	0	0
Maximum Service					
<b>Shared Stations Maintenance Facilities</b>	3	3	3	3	3

\*Six vehicles on loan/leased to other agencies.

\*\* Four vehicles on loan/leased to other agencies

\*\*\* One vehicle on loan/leased to other agency

Source: Livermore Amador Valley Transit Authority

Note: n/a denotes information is not available.

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4

COMPLIANCE  
SECTION

**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2013**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?            Yes        X        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes        X        None Reported

Noncompliance material to financial statements noted?            Yes        X        No

**Federal Awards**

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

Internal control over major programs:

- Material weakness(es) identified?            Yes        X        No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?            Yes            X        None Reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?            Yes            X        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 and 20.507 (Cluster Program)	Federal Transit – Capital Investment Grants and Formula Grants (Urbanized Area Formula Grants)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?        X        Yes            No



## **SECTION II – FINANCIAL STATEMENT FINDINGS**

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated September 13, 2013 which is an integral part of our audits and should be read in conjunction with this report.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Our audit did not disclose any findings or questioned costs required to be reported in accordance with section 510(a) of OMB Circular A-133.

## **SECTION IV - STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

Prepared by Management

### **Financial Statement Prior Year Findings**

There were no prior year Financial Statement Findings reported.

### **Federal Award Prior Year Findings and Questioned Costs**

There were no prior year Federal Award Findings and Questioned Costs reported.

LIVERMORE/AMADOR VALLEY TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2013

Federal Awards Programs	CFDA #	Pass-through Identification #	Federal Expenditures
US Department of Transportation, Federal Transit Administration Capital & Operating			
Awards used for operating expenses:			
Paratransit Operating Assistance	20.507	CA-90-Y994-00	\$295,715
Fuel	20.507	CA-90-Y994-00	\$128,132
Preventative maintenance	20.507	CA-90-Y738-01	1,392,236
Preventative maintenance	20.507	CA-90-Y994-00	116,780
New Freedom Parataxi	20.521	CA-57-X080-00	2,299
(Passed through the Metropolitan Transportation Commission)			
Awards used for operating expenses:			
New Freedom	20.507		2,641
(Passed through CalTrans)			
Awards used for operating expenses:			
JARC Program	20.516		99,284
New Freedom	20.521		47,227
5311 Operating Assistance	20.509		110,951
5304 Planning	20.507		6,651
Subtotal for this program			<u>2,201,915</u>
Awards used for capital assets:			
Satellite Facility	20.500	CA-04-Y0017-02	57,178
Satellite Facility	20.500	CA-03-0801-01	2,956,725
BRT	20.500	CA-03-0801-01	600,541
Particulate Matter Traps	20.500	CA-90-Y200-00	58,313
Radio (EBRCS)	20.500	CA-90-Y994-00	208,371
(Passed through CalTrans)			
New Freedom ADA Bus Stop Improvements	20.521		13,306
FHWA Rideo Bus Rehab	20.205		97,430
Fixed Route Capital Awards	20.500		<u>3,991,864</u>
Subtotal for this program			<u>3,991,864</u>
Total Expenditures			<u><u>\$6,193,779</u></u>

See accompanying notes to Schedule of Expenditures of Federal Awards

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**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2013**

**NOTE 1-REPORTING ENTITY**

The Schedule of Expenditure Federal Awards (the Schedule) includes expenditures of federal awards for the Livermore Amador Valley Transit Authority, California and its component units as disclosed in the notes to the Basic Financial Statements

**NOTE 2-BASIS OF ACCOUNTING**

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

**NOTE 3-DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS**

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types Federal award programs when they occur.

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

To the Honorable Members of the Board of Directors  
Livermore Amador Valley Transit Authority  
Livermore, 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 basic financial statements of the Livermore Amador Valley Transit Authority, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2013. Our report included an emphasis of a matter paragraph disclosing 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.

### *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 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.

### *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.



Pleasant Hill, California  
September 13, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Honorable Members of the Board of Directors of  
Livermore Amador Valley Transit Authority  
Livermore, California

***Report on Compliance for Each Major Federal Program***

We have audited Livermore Amador Valley Transit Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2013. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



### ***Report on Internal Control Over Compliance***

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the basic financial statements of the Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated September 13, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Pleasant Hill, California  
September 13, 2013

**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  
Livermore Amador Valley Transit Authority  
Livermore, 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 Livermore Amador Valley Transit Authority (Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2013. 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.

### *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*.

### *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.



Pleasant Hill, California  
September 13, 2013

### *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*.

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Pleasant Hill, California  
September 13, 2013

**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  
Livermore Amador Valley Transit Authority  
Livermore, California

We have audited the statement of revenues and expenditures of the Livermore Amador Valley Transit Authority Public Transportation Modernization, Improvement and Service Enhancement Account Projects, a program of the Livermore Amador Valley 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, 2013, and have issued our report thereon dated September 13, 2013.

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.

### *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*.

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A handwritten signature in cursive script that reads "Maze & Associates". The signature is written in black ink and is positioned above the date.

September 13, 2013