LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

STAFF REPORT

SUBJECT: Fiscal Year 2016 Comprehensive Annual Financial Report (CAFR)

FROM: Tamara Edwards, Finance & Grants Manager

DATE: November 7, 2016

Action Requested
Review and recommend that the Board of Directors accept the Comprehensive Annual Financial Report (CAFR) and submit it to the Government Finance Officers Association (GFOA) for award.

Background
The Administrative Services Department has prepared the CAFR following the guidelines of the Government Finance Officers Association and in conformance with generally accepted accounting principles for state and local governmental entities established by the Governmental Accounting Standards Board. There are four sections to this report: *Introductory, Financial, Statistical* and *Compliance.*

Discussion
Attached for your review is the draft Comprehensive Annual Financial Report for the fiscal year ending June 2016. This report includes the annual audit prepared by Maze and Associates and staff stating that for the period audited, there were no findings.

Mr. David Alvey of Maze and Associates will be attending the Finance and Administrative Committee meeting and the November 7, 2016 LAVTA Board of Directors meeting to provide an overview and answer any questions when the final CAFR is presented for acceptance.

Recommendation
The Finance and Administration Committee recommends acceptance of the Comprehensive Annual Financial Report (CAFR), and submission of the CAFR to the Government Finance Officers Association (GFOA) for award.

Attachments:
1. LAVTA 2016 Comprehensive Annual Financial Report

Approved: ______________________________

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR END
JUNE 30, 2016

Livermore Amador Valley Transit Authority
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Wheels

LIVERMORE AMADOR VALLEY
TRANSIT AUTHORITY
LIVERMORE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT

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1 INTRODUCTION SECTION

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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November 7, 2016

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, 2015 through June 30, 2016.

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 64 buses. The fleet includes the vehicles for local fixed route and bus rapid transit (BRT) service and in 2015/2016 the Authority transported over 1.64 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 2016 fiscal year, a Director of Administrative Services, Director of Planning and Communications, Finance and Grants Manager, Senior Marketing & Communications Specialist, Senior Transit Planner, Senior Fleet and Technology Management Specialist, Paratransit Planner, Senior Grants and Project Management Specialist, 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 Medical Transportation Management.

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 approximately 220,469 residents. The service area is divided into two sub-areas: Pleasanton/Dublin and Livermore. Three miles of developing industrial and agricultural land separate these two sub-areas.

The Authority provides the following transportation services: Fixed Route (Wheels) Service, Bus Rapid Transit (Rapid) 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 a year. On an average weekday, the Authority's fixed route fleet carries an average of 5,751 passengers. Fixed route ridership had been increasing over the years since a FY2001-2005 drop; increasing again thru FY2008, flattening out in FY2009, decreasing in FY2010, and again flattening out in subsequent fiscal years. There was a 4.3% decrease from FY2013 to FY2014, and a 0.1% decrease from FY2014 to FY2015. Ridership decreased slightly in FY2016; at 1,648,811, it is less than a tenth of a percent decrease from FY2015. Passengers per hour, a measure of system efficiency, decreased slightly from 13.5 in FY2015 to 13.4 during the weekday in the current year.

LAVTA's Rapid service, launched in January 2011 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, hybrid technology buses, and unique branding.

The Authority's fixed route service is supplemented by Dial-A-Ride paratransit service, which transported 58,798 mobility-impaired patrons in FY2016 on approved vehicles provided by the contracted paratransit provider. While the number of paratransit passengers decreased during the period from FY09 to FY12, the number of passengers has continued to increase over the last 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.

Insurance	Liability Limit
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, 2016 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's FY16 Budget was $16,383,345 million, which was 1.27% higher than FY15. For the sixth consecutive year, no fare increases were implemented. LAVTA was also able to comply with the Board's policy to maintain reserves equivalent to 3-6 months of operating costs.

FY16's major service highlight was the Comprehensive Operational Analysis. Prior to developing recommendations, existing ridership, on-time performance, travel patterns, and demographic data were analyzed. Public meetings, stakeholder meeting, an on-line survey, and a non-user household telephone survey all indicated that more frequent service, later service, and better connections to BART were some of the improvements desired most by riders and non-riders.

Initially, three scenarios were developed to illustrate how Wheels fixed-route service could operate in the future. After significant public comment, a preferred alternative was created that had four themes: (1) improve ridership and farebox recover ratio of the Rapid; (2) improve access to BART;

(3) reduce duplication of service; and (4) simply the service. After public comment and a public hearing on May 2, 2016, the LAVTA Board approved the majority of system changes in the preferred alternative, with final approvals expected on June 6, 2016. The preferred alternative as approved is expected to increase ridership on Wheels between 5% and 10% over the first 18 months, with additional ridership gains being achieved through mass and targeted marketing.

The capital program had two areas of focus. First, LAVTA, through MTC and with the cooperation of other small operators in this area, implemented Clipper in the Wheels system. Equipment was installed at our facilities bases and on our buses. Second, LAVTA ordered twenty electric-hybrid buses scheduled to be received in 2017.

FY16 saw a continuation of the slow economic recovery. A multi-year federal transportation authorization bill known as FAST ACT was approved, providing a continuation of critical federal funds at a consistent level for the next six years. State and regional funding outlook remains relatively flat overall.

Fiscal Year 2015 Accomplishments

While the previous section summarizes the financial situation last year, this section describes the work accomplished in FY16. In addition to the on-going workload of the agency, staff was busy this year on the following issues and projects.

Policy Related Matters - adopted 2016 Legislative Program and participated in key legislation, including the approval of FAST ACT legislation at the federal level and axel weight limitations at the state level; participated in Stand Up 4 Transportation Event; initiated the first two meetings of the Altamont Regional Rail Working Group; 10-year Short Range Transit Plan Approved.

Fixed Route Service - for the first time in four years ridership on fixed routes increased in FY16; completed Comprehensive Operational Analysis and approved changes; completed the service change process and implemented changes in August 2015; completed the annual survey to assess customer satisfaction of fixed route services; negotiated revised rates for FY16 with MV Transportation; continued service to the Livermore July 4 fireworks event; provided expanded service to Livermore’s ESS program; continued service to Pleasanton and Dublin summer school; extended Route 8 service during the Alameda County Fair.

Paratransit Service - completed the annual survey to assess customer satisfaction of paratransit services; completed second full year with MTM; significant ridership increases of 20% initiated work with MTM on trip negotiation, optimizing of trips, and eligibility interviews.

Capital Projects - rehabilitated 20 Rapid bus stops (replacement of glass and other repairs); implemented Clipper on Wheels bus system; continued work with Livermore staff to relocate the historic train depot; installed Viewpoint Software for improved management of bus system; in coordination with City of Livermore, reconstructed bus pull out at the Bankhead; replaced kiosks at Livermore Transit Center; purchased 20 hybrid diesel-electric replacement buses; onboard info stations installed on buses; in coordination with the City of Livemore and Dublin, repaired queue jumps; completed security camera project at Atlantis, Rutan Facility and Livermore TC

Marketing - developed and implemented marketing plan for FY16; redesigned Wheels website and improved social media reach; Wheels installed on Google Transit Trip Planner; installed art shelter at Westgate, Lawrence Livermore Lab; published updates to Wheels bus book; completed the Try Transit campaign for middle and high school riders; High School Ambassador Program initiated; continued marketing efforts to promote the Rapid and Wheels fixed route service

Audits/Reviews - completed the FY14 Financial Audit (CAFR); completed the TDA Triennial Review

Financial Management - continued quarterly budget and grants status reports to the Board; received GFOA's Award of Excellence for Financial Reporting for FY15 CAFR; leased portion of Atlantis to Google for bus storage

Procurement - procured contracts for website redesign, rebranding study, on-call graphics consulting, design and printing of timetables, on-call zero emissions consultant, Atlantis vault construction, parking lot rehab, etc.; continued procurement process with Gillig for 2017 bus purchases

Regional Projects - implemented Clipper on Wheels bus system; participated with ACTC on Park and Ride Study and County Transit Study; participated with MTC in Plan Bay Area Update; participated in development of City of Livermore's Neighborhood Specific Plan; continued participation in APTA, CTA, and CalACT to promote and protect transit

Personnel - hired new Grants & Project Management Specialist; hired a new administrative assistant' continued to improve agency management practices

FUTURE OUTLOOK

LAVTA's FY17 Budget is $17,323,890 which is 5.74% higher than FY16. The draft budget assumes LAVTA will provide 139,313 fixed route service hours and 58,848 paratransit trips. For the seventh consecutive year, no fare increases are proposed. The Budget for FY17 continues to comply with the Board's policy to maintain reserves equivalent to 3-6 months of operating costs.

FY17's major highlight will be the implementation of the bus system improvements from the Comprehensive Operational Analysis, which will result in performance base changes to the fixed route system, including a crucial need to improve the Rapid. Additionally, the agency will be conducting its first Long Range Transit Plan that will provide a multi-phase performance based blueprint of improvements for the next 30 years of fixed route service. The implementation of both these plans through a high level of public involvement will allow the agency to provide greater quality service and compete more effectively for discretionary funding in future years.

Medical Transportation Management continues to improve the agency's brokerage paratransit services and continues to deliver a high level of on-time performance and overall service.

LAVTA's capital program will have three areas of focus. First, LAVTA has made a 20-bus replacement order that it will take delivery in early FY17. Second, the agency will award a contract to a bus manufacturer for the purchase and replacement of 20 additional buses for FY18. And third, new farebox replacement will be initiated on Wheels buses in FY17.

As the transit agency enters into FY17, its activities will occur against the backdrop of an economy continuing to gain momentum after the Great Recession. FAST ACT, the recently approved federal transportation bill, provides relatively flat, but stable funding for the next six years. State funding for transportation also remains relatively flat. However, at the local level the region's Metropolitan Planning Organization has restored Regional Measure 2 funding for Route 30 (The Rapid), derived from bridge toll fees, and will watch the performance of the route for future compliance with performance requirements. This is a sign of the times in which public transit must focus on improved performance or anticipate a reduction in funding.

Fiscal Year 2017 Goals

FY17 marks the tenth 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. Here's the goals and strategies and projects for FY17 as reviewed by the Board of Directors:

Goal: Service Development

Strategies:

(1) Provide routes and services to meet current and future demand for timely/reliable transit service.
(2) Increase accessibility to community, services, senior centers, medical facilities and jobs.
(3) Optimize existing routes/services to increase productivity and response to MTC projects and studies.
(4) Improve connectivity with regional transit systems and participate in BART to Livermore project.
(5) Explore innovative fare policies and pricing options
(6) Provide routes and services to promote mode shift from personal car to public transit.

Projects:

(1) Implement Changes to Wheels bus system from planning efforts
(2) Complete the Long Range Transit Plan
(3) Schedule Development
(4) Fare Analysis
(5) Continued participation with Altamont Regional Rail Working Group
(6) Continued support and input with studies ongoing in the region

Goal: Marketing and Public Awareness

Strategies:

(1) Implement the FY17 Marketing Plan
(2) Finish and implement Phase I of Wheels Rebranding project
(3) Create Wheels ECO pass program for business in the Tri-Valley

Projects:

(1) Marketing for launch of system improvements and products
(2) Promotion of new brands (complete Phase I of rebranding plan)
(3) New phone app
(4) V2.0 of Wheels website
(5) New design for timetables
(6) SmartTrips Santa Rita
(7) Promotion of Rapid service and Easy Pass at Las Positas College
(8) Promotion of new 580X
(9) Promotion of new Wheels on Demand
(10) Continued efforts with Try Transit and High School Ambassadors
(11) Continued community outreach with a limited number of community events

Goal: Community and Economic Development

Strategies:
1. Integrate transit into local economic development plans
2. Advocate for increased TOD from member agencies and MTC
3. Partner with employers in the use of transit to meet TDM goals and requirements

Projects:
1. Las Positas College Easy Pass Program
2. Measure BB Student Transit Pass Program
3. Livermore Transit Center Historic Train Depot and future TOD Development
4. City of Livermore Ridership Development Study (coordination)

Goal: Regional Leadership

Strategies:
1. Advocate for local regional, state, and federal policies that support mission of Wheels
2. Support staff involvement in leadership roles representing regional, state and federal forums
3. Promote transit priority initiatives with member agencies
4. Support regional initiatives that support mobility convenience

Projects:
1. Advocate for positions taken by LAVTA on FY17 Legislative Plan
2. Continue to support Altamont Regional Rail Working Group
3. Active Signalization and Queue Jump Installations on Dublin Blvd

Goal: Organizational Effectiveness

Strategies:
1. Promote system wide continuous quality improvement
2. Continue to expand the partnership with contract staff
3. HR development with focus on employee quality of life and strengthening of technical resources
4. Enhance and improve organizational structures, processes and procedures
5. Develop policies that hold Board and staff accountable, providing clear direction through sound policy making decisions.

Projects:
1. Monitor the performance of Wheels bus system improvements
2. Create improved contract management process for fixed route operator, paratransit operator and bus stop repair and cleaning contractors.
3. Continue to emphasize and support training of employees to improve their technical expertise.

Goal: Financial Management

Strategies:
1. Develop budget in accordance with strategic plan
2. Explore and develop revenue generating opportunities
3. Maintain fiscally responsible long range capital and operating plans

Projects:
1. Approve FY17 budget with emphasis on growing ridership from bus system redesign
2. Achieve continuing recognition for financial management excellence
3. Develop path for long-term Easy Pass funding at Las Positas College, SmartTrips program, and Wheels On Demand

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) 2040 Plan Bay Area Transportation Plan released in 2013, the population of Alameda County is expected to grow by 32% between 2010 and 2040. Employment is projected to grow by 33%. The senior population is another area of fast growth as the Baby Boomer generation ages; between 2010 and 2040 the senior population is projected to grow 83%. The number of low-income households (defined as households with less than $42,700 annual income in 2007 dollars) will decrease by 3% during the forecast period. [1]

The Tri-Valley cities have a lower unemployment rate than other cities in Alameda County, the state, and the nation. Statistics for 2014 show that unemployment rates in Tri-Valley cities are: Dublin – 2.9%, Livermore – 3.1%, and Pleasanton – 3.6%, compared to the county-wide figure of 4.6%.[2] 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 and has conducted a comprehensive operations analysis resulting in changes in service during FY17. For FY 2017 the Agency will provide 139,313 fixed route service hours and 58,848 paratransit trips. 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 and attracting a greater share of "choice" riders.

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, 2015. This was the twentieth 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.

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[1] Source: Travel Forecasts Data Summary, 2040 Plan Bay Area Transportation Plan for the San Francisco Bay Area, July 2013

[2] Source: Employment Development Department, Monthly Labor Force Data for Cities and Census Designated Places (CDP), August 2016 - Preliminary

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
Michael Tree	Beverly Adamo

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

PRINCIPAL OFFICIALS

June 30, 2016

Board of Directors

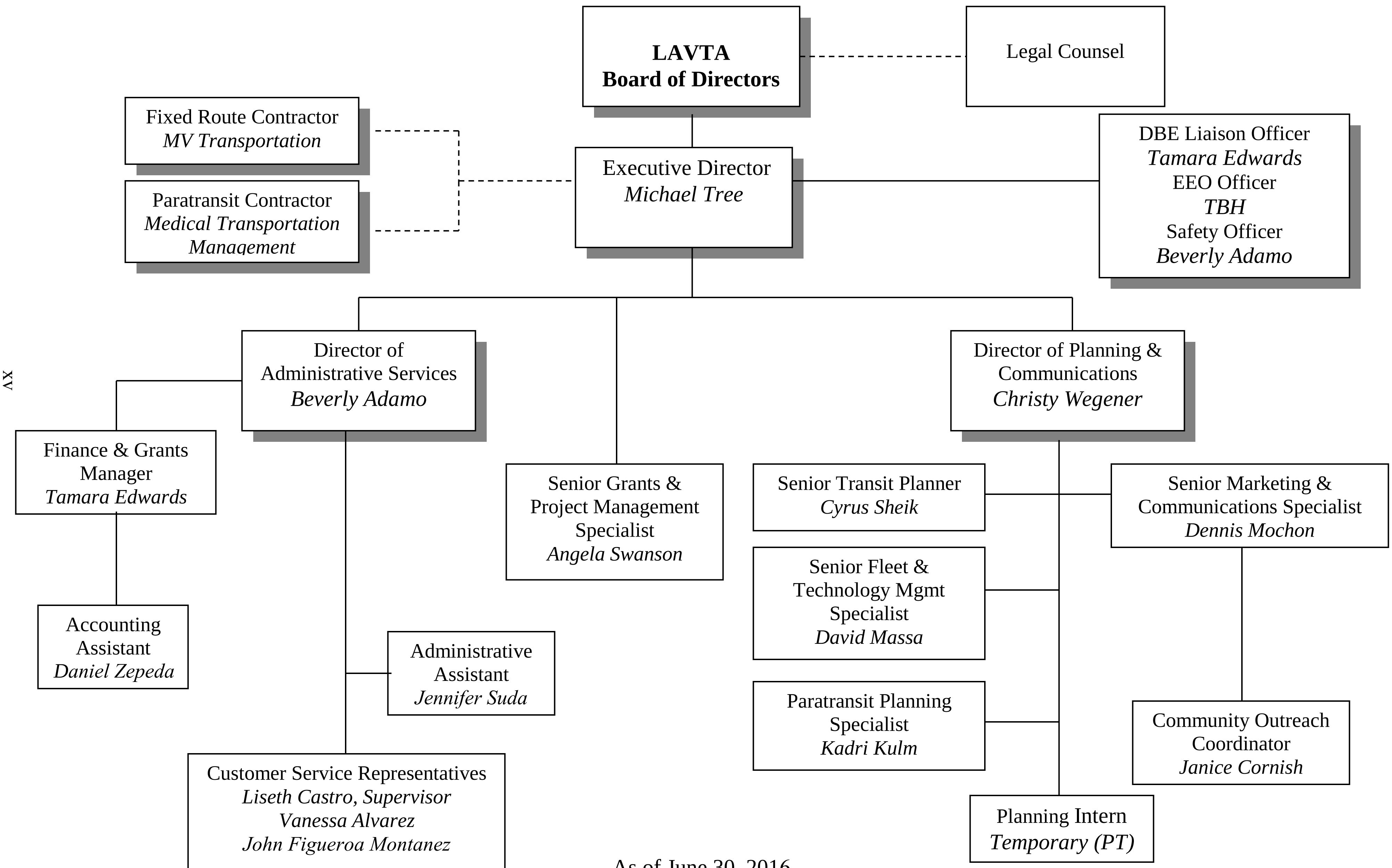
Chair	Don Biddle, Councilmember, City of Dublin
Vice Chair..	Steven Spedowfski, Councilmember, City of Livermore
Member	Karla Brown, Vice Mayor, City of Pleasanton
Member	Jerry Pentin, Councilmember, City of Pleasanton
Member	David Haubert, Mayor, City of Dublin
Member	Laureen Turner, Vice Mayor, City of Livermore
Member	Scott Haggerty, Supervisor, Alameda County

Staff

Executive Director	Michael Tree
Director of Administrative Services	Beverly Adamo
Director of Planning & Communications......	Christy Wegener
Finance & Grants Manager	Tamara Edwards
Senior Transit Planner	Cyrus Sheik
Senior Marketing & Communications Specialist	Dennis Mochon
Senior Fleet & Technology Management Specialist	David Massa
Paratransit Planner	Kadri Kulm
Senior Grants & Project Management Specialist	Angela Swanson
Accounting Assistant....................................	Daniel Zepeda
Administrative Assistant	Jennifer Suda
Community Outreach Coordinator	Janice Cornish
Customer Service Supervisor	Liseth Castro
Customer Service Representative..................	Vanessa Moreno
Customer Service Representative..................	John Figueroa Montanez

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

Organizational Chart



As of June 30, 2016

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, 2015

Executive Director/CEO

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FINANCIAL SECTION

MAZE
& ASSOCIATES

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 each major fund of the Livermore Amador Valley Transit Authority (Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority as of June 30, 2016 and the respective changes in financial position and 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.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, which became effective during the year ended June 30, 2016 as discussed in Note 1H to the financial statements.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information 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 October 26, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze + Associates

Pleasant Hill, California
October 26, 2016

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MANAGEMENT DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

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 (MD&A)– a narrative overview and analysis of the financial activities of the Authority for each fiscal year. This MD&A is for the fiscal year ended June 30, 2016.

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 Position and a Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position 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 Position. The Statement of Revenues, Expenses and Changes in Net Position summarizes how the Authority's Net Position have changed over the fiscal year.

Page references are to the attached fiscal year ended June 30, 2016 basic financial statements.

<u>Background and Overview of the Presentation of the Financial Statements</u>

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 Position), and results of operations (Statement of Revenues, Expenses and Changes in Net Position).
    - 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 Position summarizes the Authority's assets and liabilities, with the difference of the two reported as Net Position (rather than equity). The Statement of Net Position 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 Position could serve as an indication of whether the overall financial position of the Authority is stable.

The following table summarizes the Net Position of governmental activities as of June 30, 2016 and June 30, 2015:

Table 1

Statement of Net Position	Year Ending 6/30/2016	Year Ending 6/30/2015
Assets and Deferred Outflows:		
Cash and investments	$6,410,503	$9,173,259
Receivables	2,590,362	1,196,840
Capital assets (depreciated)	36,091,212	38,592,234
Deferred Outflows	132,891	174,005
Total assets and Deferred outflows	45,224,968	49,136,338
Liabilities and Deferred Inflows:		
Accounts/Claims payable	2,954,527	1,804,427
Due to LTF	5,866,550	8,234,284
Net Pension Liability	634,007	617,185
Deferred inflows	$103,992	$235,023
Total liabilities and deferred inflows	9,559,076	10,890,919
Net Position:		
Invested in capital assets, net of related debt	35,665,892	38,245,419
Total restricted Net Position	35,665,892	38,245,419

Assets and Deferred Outflows

Total assets and deferred outflows amounted to $45,224,968 consisting of $9,000,865 in current assets such as cash and accounts receivable, $36,091,212 in capital assets primarily vehicles and facilities including furnishings and equipment, and $132,891 in pension related deferred outflows. Notes 2, 3, and 8 further describe Cash and Investments, Capital Assets and Pension related expenses, liabilities, and deferred inflows/outflows of resources related to pensions. In the fiscal year ended June 30, 2016 the capital projects below were ongoing:

Bus Shelters and Stops
The Authority is in the process of repairing, renovating, and improving the older bus shelters within the system.

Atlantis Facility
The Authority is working to install the final piece of the Fuel and Wash Facility phase of the Atlantis location. Additional phases will be started once funding is identified.

TPI Project
LAVTA has partnered with the City of Dublin in a project that will include adaptive signal control technology, queue jumps, and a mobile real time bus arrival app. The goal of this project is to decrease trip times along Dublin Blvd. and improve the transit passenger's experience.

Bus Replacement
In FY 2017 LAVTA will be replacing twenty fixed route vehicles that have reached the end of their useful lives. Although the buses will be received and put into service in FY 2017, expenses were incurred in FY 2016 as part of the procurement process as well as inspection of the buses before delivery.

Liabilities and Deferred Inflows

Liabilities and deferred inflows totaled 9,559,076 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 $9.767.233 in reserves.

Net Position

Change of Net Position was ($2,579,527) this decrease in Net Position is due to depreciation on existing capital assets in excess of addition to capital assets.

The Statement of Revenues, Expenses and Change in Net Position 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 Position explains in detail the change in Net Position for a given year. The amounts in the Statement of Revenues, Expenses and Change in Net Position 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 Position, or the change in Net Position of governmental activities, for the year ended June 30, 2016 and June 30, 2015:

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

	Year Ending 6/30/2016	Year Ending 6/30/2015
EXPENSES		
Expenses, non-capital		
Board of Directors	$12,400	$13,900
Executive Director	286,187	267,874
Administrative Services	1,626,818	1,463,419
Planning	872,266	549,575
Marketing	380,240	308,716
Operations	12,354,542	11,764,743
Total Expenses, non-capital	15,532,453	14,368,227
Expenses, capital		
Depreciation	2,851,726	3,593,338
Total Expenses, capital	2,851,726	3,593,338
Total expenses	18,384,179	17,961,565
REVENUES		
Program operating revenues:		
Fare and contract revenues	$2,239,549	$2,253,853
Advertising and ticket concessions	207,674	307,378
Total operating revenues	2,447,223	2,561,231
Non-operating revenues, non-capital:		
Operating grants and contributions	13,085,230	11,806,996
Total non-operating revenues, non-capital	13,085,230	11,806,996
Total non-capital revenues	15,532,453	14,368,227
Net Loss Before Capital Contributions	2,851,726	3,593,338
Non-operating revenues, capital		
Gain (Loss) on Disposal of Equipment	(0)	(153,065)
Total Gain (Loss)	(0)	(153,065)
Net non-operating revenues before capital contributions (grants)	13,085,230	11,653,931
Capital grants, net		
Total capital grants, net	272,199	449,943
Total revenues	$15,804,652	$14,818,170
CHANGE IN NET POSITION	(2,579,527)	(3,296,460)
Net Position, beginning	38,245,419	41,541,879
Net Position, ending	35,665,892	38,245,419

Expenses

Total expenses including depreciation (which was $2,851,726) were $18,384,179 in the fiscal year ending June 30, 2016. Adjusting for depreciation this was an 8.1% increase over the prior year. The increase in expenses was driven by a number of factors, including contract increases for the purchased transportation providers and the costs associated with the Comprehensive Operational Analysis (COA) which will conclude in FY 2017, although, the majority of the research and preparation was done during FY 2016.

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.

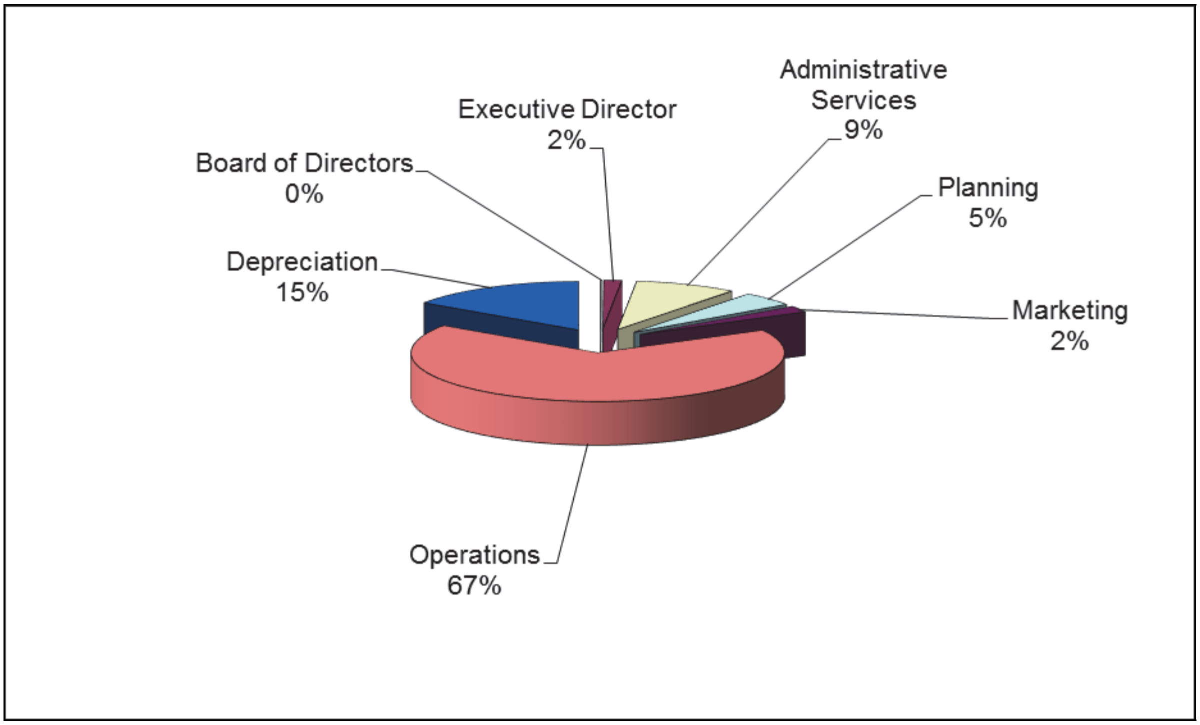
- *Planning* This department plans, organizes, directs, and implements the Authority's short and long-range planning programs. This department is also responsible for transit development functions including capital improvement programs, route planning and scheduling, collection and evaluation of operations 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. Fixed Route services are currently provided under contract by MV Transportation, Inc., and Dial-a-Ride is provided under contract with Medical Transportation Management, both are private transit services providers. 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 2016.



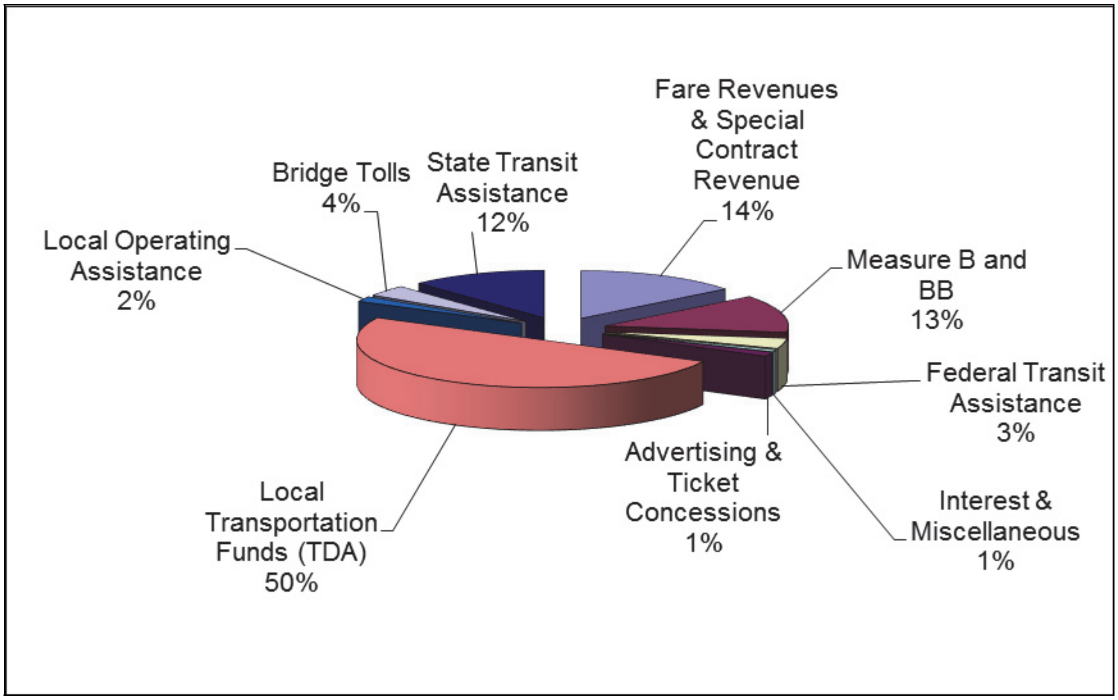
Revenues

The Authority's primary source of operating revenue is Transportation Development Act (TDA) Article 4.0 and 4.5 funds. In FY16, TDA accounted for 50% of total operating revenue. The rest of the revenue is comprised of Federal Transit Assistance, Passenger Fares, State Transit Assistance, Measures B, and BB, Bridge Tolls, Advertising and Ticket Concessions, and Interest.

Federal operating funds accounted for $536,514 or 3% of the total; this is a decrease over the prior year.

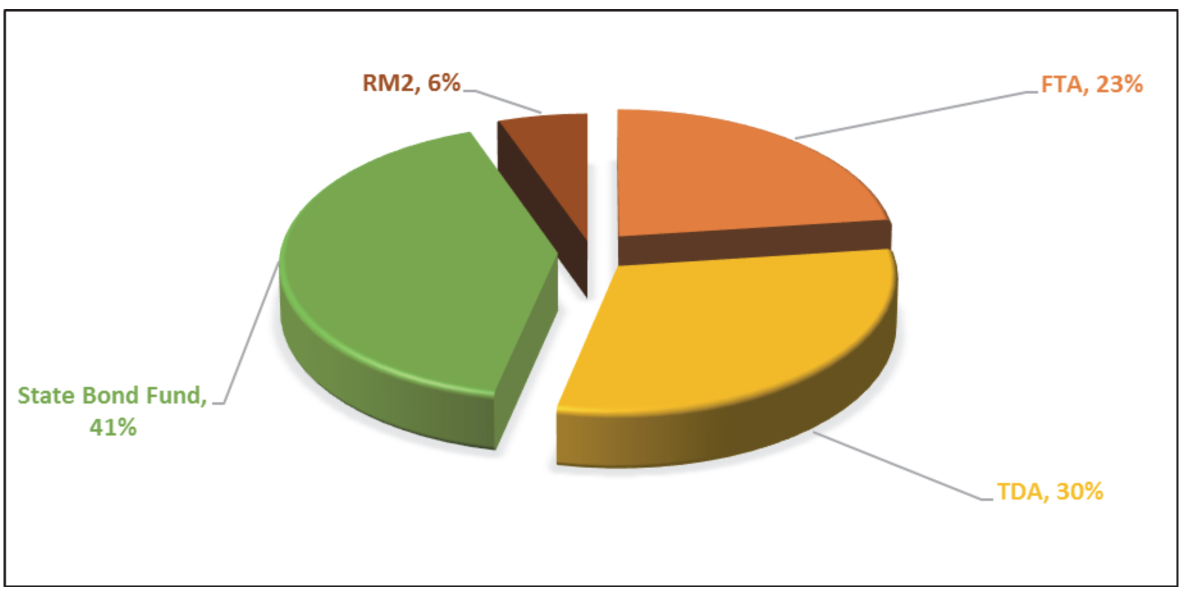
Revenue generated from operations (farebox, contract, and advertising revenues) decreased slightly from the prior year.

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 2016.



Capital Contributions

Capital contributions in the fiscal year ending June 2016 were $272,199 which is a decrease over the capital contributions for the fiscal year ending June 30, 2015 of $177,744. The decrease in capital contributions is attributed to the decrease in capital spending, brought on by the gearing up for a major bus purchase in FY17. Below are percentages by capital funding source for the fiscal year ending June 2016.



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, 2016
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2015

	2016			
	Fixed Route Program	Paratransit Program	Totals	2015 Totals
ASSETS				
Current Assets				
Cash and investments (Note 2)	$6,410,503		$6,410,503	$9,173,259
Receivables:				
Accounts	1,502,561	$462,622	1,965,183	651,394
Capital grants	178,776		178,776	466,731
Due from other fund (Note 1I)	222,031		222,031	
Prepaid expenses	222,733	1,639	224,372	78,715
Total current assets	8,536,604	464,261	9,000,865	10,370,099
Noncurrent Assets				
OPEB Asset (Note 10)	425,321		425,321	346,815
Capital Assets (Note 3):				
Land and construction in progress	26,761,995		26,761,995	26,591,294
Depreciable assets	46,795,793	40,452	46,836,245	50,537,518
Subtotal capital assets	73,557,788	40,452	73,598,240	77,128,812
Less: accumulated depreciation	(37,904,341)	(28,008)	(37,932,349)	(38,883,393)
Capital assets, net	35,653,447	12,444	35,665,891	38,245,419
Total noncurrent assets	36,078,768	12,444	36,091,212	38,592,234
Total Assets	44,615,372	476,705	45,092,077	48,962,333
DEFERRED OUTFLOWS OF RESOURCES				
Pension related (Note 8)	132,891		132,891	174,005
LIABILITIES				
Current Liabilities				
Due to other funds (Note 1I)		222,031	222,031	
Accounts payable and accrued liabilities	632,076	242,229	874,305	528,408
Claims payable (Note 1E)	175,124		175,124	130,058
Total current liabilities	807,200	464,260	1,271,460	658,466
Noncurrent Liabilities				
Unearned revenues (Note 6)	1,683,067		1,683,067	1,145,961
Due to LTF Operating (Note 4)	5,866,550		5,866,550	8,234,284
Net pension liability (Note 8)	634,007		634,007	617,185
Total noncurrent liabilities	8,183,624		8,183,624	9,997,430
Total Liabilities	8,990,824	464,260	9,455,084	10,655,896
DEFERRED INFLOWS OF RESOURCES				
Pension related (Note 8)	103,992		103,992	235,023
NET POSITION				
Net investment in capital assets (Note 7)	35,653,447	12,445	35,665,892	38,245,419
Total Net Position	$35,653,447	$12,445	$35,665,892	$38,245,419

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, 2016
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016			
	Fixed Route Program	Paratransit Program	Totals	2015 Totals
PROGRAM OPERATING REVENUES				
Fare revenues	$1,647,069	$196,223	$1,843,292	$1,956,417
Special contract revenue	359,954	36,303	396,257	297,436
Advertising and ticket concessions	207,674		207,674	307,378
Total program operating revenues	2,214,697	232,526	2,447,223	2,561,231
PROGRAM OPERATING EXPENSES				
Board of Directors	11,160	1,240	12,400	13,900
Executive Director	286,187		286,187	267,874
Administrative services	1,613,680	13,138	1,626,818	1,463,419
Planning	704,128	168,138	872,266	549,575
Marketing	380,240		380,240	308,716
Operations	10,560,091	1,794,451	12,354,542	11,764,743
Depreciation (Note 3)	2,848,613	3,113	2,851,726	3,593,338
Total program operating expenses	16,404,099	1,980,080	18,384,179	17,961,565
PROGRAM OPERATING LOSS	(14,189,402)	(1,747,554)	(15,936,956)	(15,400,334)
NON-OPERATING REVENUES (EXPENSES)				
Interest and miscellaneous	99,315		99,315	90,673
Local Transportation Funds 4.0	6,855,683	775,594	7,631,277	5,878,069
Local Transportation Funds 4.5		129,379	129,379	123,138
State Transit Assistance	1,815,543	47,368	1,862,911	1,876,877
Local Operating Assistance	263,750		263,750	176,611
FTA operating assistance	191,174	345,340	536,514	894,942
Local Sales Tax/Measure B and BB funds:				
Allocations	882,056	166,946	1,049,002	1,009,539
Measure B grants				1,000,000
Measure BB grants	652,432	279,814	932,246	176,311
Bridge tolls	580,836		580,836	580,836
Gain (Loss) on disposal of equipment				(153,065)
Net non-operating revenues, before capital contributions (grants)	11,340,789	1,744,441	13,085,230	11,653,931
Capital contributions (grants) (Note 6):				
FTA capital assistance	62,522		62,522	86,710
Local Transportation Funds 4.0	82,892		82,892	213,514
State Bond Fund - Prop 1B	111,765		111,765	111,868
Bridge tolls	15,020		15,020	37,851
Total capital contributions (grants)	272,199		272,199	449,943
Net non-operating revenues and contributions	11,612,988	1,744,441	13,357,429	12,103,874
Change in net position	(2,576,414)	(3,113)	(2,579,527)	(3,296,460)
NET POSITION,				
Beginning of Year	38,229,861	15,558	38,245,419	41,541,879
End of Year	$35,653,447	$12,445	$35,665,892	$38,245,419

See accompanying notes to basic financial statements

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016			
	Fixed Route Program	Paratransit Program	Totals	2015 Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$1,363,395	$232,526	$1,595,921	$2,810,477
Payments to vendors	(11,623,498)	(1,811,588)	(13,435,086)	(12,866,991)
Payments to and on behalf of employees	(1,798,123)	(132,443)	(1,930,566)	(1,529,207)
Net cash provided (used) by operating activities	(12,058,226)	(1,711,505)	(13,769,731)	(11,585,721)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	99,315		99,315	90,673
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Local Transportation Funds 4.0	4,487,949	775,594	5,263,543	8,794,956
Local Transportation Funds 4.5		129,379	129,379	123,138
State Transit Assistance	1,815,543	47,368	1,862,911	1,876,877
TFCA	263,750		263,750	176,611
FTA operating assistance	191,174	24,455	215,629	894,942
Local sales tax/Measure B and BB funds	1,534,488	446,760	1,981,248	2,185,850
Bridge tolls	580,836		580,836	580,836
Interfund payments	(222,031)		(222,031)	
Interfund receipts		222,031	222,031	
Net cash provided by noncapital and financing activities	8,651,709	1,645,587	10,297,296	14,633,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(272,199)		(272,199)	(449,943)
Capital grants received:				
FTA capital assistance	86,709		86,709	119,315
Local Transportation Funds 4.0	224,053		224,053	767,346
State Transit Assistance				45,785
State Bond Fund - Prop 1B	533,950		533,950	823,533
Bridge Tolls	37,851		37,851	
Net cash provided (used) by capital and related financing activities	610,364		610,364	1,306,036
NET CASH FLOWS	(2,696,838)	(65,918)	(2,762,756)	4,444,198
CASH AND INVESTMENTS AT BEGINNING OF YEAR	9,107,341	65,918	9,173,259	4,729,061
CASH AND INVESTMENTS AT END OF YEAR	$6,410,503		$6,410,503	$9,173,259
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	($14,189,402)	($1,747,554)	($15,936,956)	($15,400,334)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	2,848,613	3,113	2,851,726	3,593,338
Increase (decrease) in:				
Accounts receivable	(778,207)		(778,207)	314,662
Prepaid expenses	(144,138)	(1,519)	(145,657)	98,797
OPEB Asset	(78,506)		(78,506)	(104,843)
Accounts payable	311,443	34,455	345,898	19,552
Claims payable	45,066		45,066	(41,477)
Net pension liability, related deferred inflows, net of deferred outflows	(73,095)		(73,095)	(65,416)
Net cash provided (used) by operating activities	($12,058,226)	($1,711,505)	($13,769,731)	($11,585,721)

See accompanying notes to basic financial statements

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 position, 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 Governmental Accounting Standards Board 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

	2015-2016	2014-2015
Balance, July 1	$130,058	$171,535
Net change in liability for claims and claims paid but not reported	637,535	344,954
Claims paid	(592,469)	(386,431)
Balance, June 30	$175,124	$130,058

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.

G. Deferred Inflow/Outflow of Resources

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

I. 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.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 consist of the following:

Local Agency Investment Fund	$4,654,031
Cash in bank	1,755,732
Cash on hand	740
Total Cash and Investments	$6,410,503

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.

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, 2016, these investments matured in an average of 167 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.

E. Fair Value Hierarchy

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Authority only invests in Local Agency Investment Fund which is classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool

NOTE 3 - 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.

NOTE 3 - CAPITAL ASSETS (Continued)

Capital assets comprised the following at June 30, 2016:

	Balance June 30, 2015	Additions / Adjustments	Retirements	Balance June 30, 2016
Fixed Route:				
Capital assets not being depreciated:				
Land	$3,973,472			$3,973,472
Construction in Progress	22,617,822	$170,701		22,788,523
Total capital assets not being depreciated	26,591,294	170,701		26,761,995
Capital assets being depreciated:				
Vehicles	35,897,397	5,693	($2,776,184)	33,126,906
Facilities	8,569,556	89,840	(235,834)	8,423,562
Equipment	5,262,434	5,965	($23,074)	5,245,325
Total capital assets being depreciated	49,729,387	101,498	(3,035,092)	46,795,793
Less accumulated depreciation for:				
Vehicles	(27,480,668)	(2,516,942)	2,776,184	(27,221,426)
Facilities	(5,708,781)	(280,693)	235,834	(5,753,640)
Equipment	(4,901,371)	(50,978)	23,074	(4,929,275)
Total accumulated depreciation	(38,090,820)	(2,848,613)	3,035,092	(37,904,341)
Total depreciable assets	11,638,567	(2,747,115)		8,891,452
Capital assets, net	$38,229,861	($2,576,414)		$35,653,447
Paratransit				
Capital assets being depreciated:				
Facilities	$40,452			$40,452
Vehicles	767,679		($767,679)	
Total capital assets being depreciated	808,131		(767,679)	40,452
Less accumulated depreciation for:				
Facilities	(24,895)	($3,113)		(28,008)
Equipment				
Vehicles	(767,679)		767,679	
Total accumulated depreciation	(792,574)	(3,113)	767,679	(28,008)
Total depreciable assets	15,557	(3,113)		12,444
Capital assets, net	$15,557	($3,113)		$12,444
Total				
Land and Construction in Progress	$26,591,294	$170,701		$26,761,995
Depreciable Assets:				
Cost	50,537,518	101,498	($3,802,771)	46,836,245
Less accumulated depreciation for:	(38,883,394)	(2,851,726)	3,802,771	(37,932,349)
Net	11,654,124	($2,750,228)		8,903,896
All Capital Assets, net	$38,245,418			$35,665,891

NOTE 4 – 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, 2016, 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, 2016 follows:

Source	Unallocated Balances
Transportation Development Act Funds	$8,899,101
State Transit Assistance Funds:	
Revenue Based Funds	197,546
Population Based Funds	670,586
Total Unallocated Local Transportation Funds	$9,767,233

NOTE 4 – 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, 2016 are calculated as follows:

Fiscal 2016 unexpended funds:	Fixed Route Program	Paratransit Program	Total
Operating loss	($14,189,402)	($1,747,554)	($15,936,956)
Add back:			
Depreciation	2,848,613	3,113	2,851,726
Interest and miscellaneous	99,315		99,315
Net operating expenses reimbursable by grants	(11,241,474)	(1,744,441)	(12,985,915)
Grants:			
County Measure B Grants	882,056	166,946	1,049,002
County Measure BB Grants	652,432	279,814	932,246
Local Operating Assistance	263,750		263,750
Bridge Tolls	580,836		580,836
Federal Transportation Administration:			
Operating Assistance	191,174	345,340	536,514
Net Operating Expenses reimbursable by LTF and STA funds	(8,671,226)	(952,341)	(9,623,567)
State Transit Assistance Receipts	1,815,543	47,368	1,862,911
LTF Receipts:			
Article 4.0	4,487,949	775,594	5,263,543
Article 4.5		129,379	129,379
Due to LTF - fiscal year 2015/2016	(2,367,734)		(2,367,734)
Due to LTF - beginning of year	8,234,284		8,234,284
Due to LTF - end of year	$5,866,550		$5,866,550

NOTE 5 - PARATRANSIT OPERATING GRANT LIMITATIONS

A. General

In addition to the calculations discussed in Note 4, 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:

	2016	2015
Operating expenses excluding depreciation	$1,976,967	$1,635,154
Less:		
Actual passenger fare revenues	(196,223)	(174,870)
Special contract revenue	(36,303)	(28,951)
Measure B GAP grant programs		
Article 4.0 LTF revenues	(775,594)	(709,263)
Maximum eligibility	$968,847	$722,070

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

	2016	2015
Maximum eligibility	$968,847	$722,070
Less:		
Article 4.5 LTF revenues	(129,379)	(123,138)
State Transit Assistance	(47,368)	(74,130)
FTA operating assistance	(345,340)	(315,862)
Local sales tax/Measure B funds	(166,946)	(158,020)
Local sales tax/Measure BB funds	(279,814)	(50,920)
Deficit (surplus) of Measure B revenue over maximum eligibility	$0	$0

NOTE 5 - 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.

	2016	2015
Maximum eligibility computed above	$968,847	$722,070
Total TDA Article 4.5 revenues	$129,379	$123,138
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 $1,621,219 during fiscal year 2015-2016, which was expended for operating expenses of the Fixed Route Program.

NOTE 6 - CAPITAL GRANTS

A. Summary

The Authority's capital transactions and unexpended grant funds at June 30, 2016 are calculated as follows:

	Fixed Route Program	Paratransit Program	Total
Capital costs:			
Capital asset additions	($272,199)		($272,199)
Funding sources:			
FTA Capital Assistance	$62,522		$62,522
Local Transportation Fund 4.0	82,892		82,892
State Bond Fund - Prop 1B	111,765		111,765
Bridge tolls RM2	15,020		15,020
Total Funding Sources	$272,199		$272,199

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.

NOTE 6 - CAPITAL GRANTS (Continued)

A summary of the Authority's outstanding Proposition 1B revenue and expenditures for the year ended June 30, 2016 are as follows:

Project Name	Grant Amount	Interest Earned Prior Years	Interest Earned 2015-16	Expended in Fiscal Prior Years	Expended in Fiscal 2015-16	Unearned Revenue
PTMISEA PROGRAMS:						
FY 16 Upgrades and Improvements	$125,625		$226			$125,851
FY 15 Upgrades and Improvements	361,514	$177	1,567		$39,320	323,938
FY 15 Bus Replacement	572,778	281	2,483			575,542
FY14 Bus Stop Repair	240,910	943	505	$125,428		116,930
OTHER PROGRAMS:						
FY15 California Transit Security Grant Program (CTSGP)	36,696		94			36,790
FY14 California Transit Security Grant Program	36,696		94			36,790
FY13 Surveillance Equipment/Cameras	36,696	106	99		35,400	1,501
FY12 Surveillance Equipment/Cameras	36,696	131		36,827		
FY11 Surveillance Equipment/Fleet DVRs	36,747	198	101		37,046	
Total Prop 1B	$1,484,358	$1,836	$5,169	$162,255	$111,766	1,217,342
Other Unearned Revenues						453,633
Total Unearned Revenues						$1,670,975

NOTE 7 – 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 is described as follows:

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.

NOTE 8 – PENSION PLANS

A. General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous Tier I	Miscellaneous PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	60
Monthly benefits, as a % of eligible compensation	1.426 - 2.418	2
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.512%	6.25%

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plan were as follows:

	Miscellaneous
Contributions - employer	$82,453

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$634,007

NOTE 8 – PENSION PLANS (Continued)

The Authority's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability for the Plan as of June 30, 2014 and 2015 was as follows:

Proportion - June 30, 2014	0.0250%
Proportion - June 30, 2015	0.0231%
Change - Increase (Decrease)	-0.0019%

For the year ended June 30, 2016, the Authority recognized pension expense of $174,005. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$82,453	$0
Differences between actual and expected experience	6,700	0
Changes in assumptions	0	(63,392)
Net differences between projected and actual earnings on plan investments	0	(31,779)
Change in proportion and differences between actual contributions and proportionate share of contributions	43,738	(8,821)
Total	$132,891	($103,992)

$174,005 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Outflows/(inflows) of Resources
2017	($34,613.00)
2018	(33,100.00)
2019	(26,463.00)
2020	40,622.00

NOTE 8 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

	All Plans
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality Rate Table[1]	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan investment expenses, including inflation

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

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

NOTE 8 – PENSION PLANS (Continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

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

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

Asset Class	Policy Target Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

NOTE 8 – PENSION PLANS (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	1% Decrease 6.65%	Current 7.65%	1% Increase 8.65%
Miscellaneous	1,171,722	634,007	190,062

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

NOTE 9 – 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 10 – 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, 2016, there were 8 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.

NOTE 10 – RETIREE MEDICAL BENEFITS (Continued)

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.

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, 2013 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% investment rate of return, (b) 2.75% projected annual salary increase, (c) 2.75% 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.

NOTE 10 – RETIREE MEDICAL BENEFITS (Continued)

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, 2016, 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)	$83,787
Interest on Net OPEB Asset	24,277
Adjustment to the ARC	18,555
Annual OPEB cost	126,619
Contributions made:	
Authority's portion of current year premiums paid	90,124
Contributions to the trust	115,001
Total contributions	205,125
Increase in Net OPEB Asset	78,506
Net OPEB Asset at June 30, 2015	346,815
Net OPEB Asset at June 30, 2016	**$425,321**

The Plan's annual required contributions and actual contributions for the years ended June 30, 2012, June 30, 2013, and June 30, 2016 are set forth below:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB (Obligation) Asset
6/30/2014	$129,127	$243,611	189%	$241,972
6/30/2015	142,127	246,999	174%	346,815
6/30/2016	126,619	205,125	162%	425,321

The Schedule of Funding Progress below, and the required supplementary information provided immediately following the footnotes, 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 actuarial study is presented below:

	Actuarial					
Valuation Date	Value of Assets	Accrued Liability	Overfunded (Underfunded) Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Underfunded) Actuarial Liability as Percentage of Covered Payroll
6/30/2015	$1,024,956	$1,341,384	($316,428)	76%	$1,788,605	-18%

NOTE 11 - CONTINGENT LIABILITIES

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

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

NOTE 12 - MAJOR CONTRACTOR

During fiscal year 2010-2011, 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. The contract was extended through June 30, 2016. MV Transportation Inc. is paid monthly based on a fixed fee plus a fee calculated at a fixed rate of $39.67 per vehicle multiplied by the number of service hours. Expenses incurred under this contract amounted to $8,661,419 for the fiscal year ended June 30, 2016.

During fiscal year 2013-2014, the Authority entered into a contract agreement with Medical Transportation Management, Inc., to operate and maintain the Paratransit program. The term of this agreement is from May 1, 2014 to June 30, 2017, with an option to extend for up to four additional one-year terms. Medical Transportation Management is paid monthly based on a fixed rate per-trip less a Paratransit fare credit per-ride due to the Authority. Expenses incurred under this contract amounted to $1,788,167 for the fiscal year ended June 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2015	2016
Plan's proportion of the Net Pension Liability (Asset)	0.0099%	0.0231%
Plan's proportion share of the Net Pension Liability (Asset)	$617,185	$634,007
Plan's Covered Employee Payroll	1,055,059	1,182,687
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	58.50%	53.61%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	17.00%	16.06%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* Fiscal year 2015 was the first year of implementation.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2016
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015	2016
Actuarially determined contribution	$107,649	$82,453
Contributions in relation to the actuarially determined contributions	(107,649)	(82,453)
Contribution deficiency (excess)	-	-
Covered-employee payroll	$1,055,059	$1,182,687
Contributions as a percentage of covered-employee payroll	10.20%	6.97%

Notes to Schedule

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
Mortality Rate Table[1]	Derived using CalPers Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan investment expenses, including inflation
(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

* Fiscal year 2015 was the first year of implementation.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

Other Post-Employment Benefit Plan

As of fiscal year ended June 30, 2016

SCHEDULE OF FUNDING PROGRESS

	Actuarial					Overfunded (Underfunded) Actuarial
Valuation Date	Value of Assets	Accrued Liability	Overfunded (Underfunded) Accrued Liability	Funded Ratio	Covered Payroll	Liability as Percentage of Covered Payroll
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%
6/30/2013	570,813	1,219,822	(649,009)	47%	1,696,434	-38%
6/30/2015	1,024,956	1,341,384	(316,428)	76%	1,788,605	-18%

SUPPLEMENTARY INFORMATION

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
SCHEDULE OF OPERATING REVENUES AND EXPENSES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2016
WITH SUMMARIZED TOTALS FOR THE YEAR OF JUNE 30, 2015

	Fixed Route	Paratransit	Totals 2016	Totals 2015
REVENUES				
Fares	$1,647,069	$196,223	$1,843,292	$1,956,417
Special contract revenue	359,954	36,303	396,257	297,436
Advertising	207,674		207,674	307,378
Interest and miscellaneous	99,315		99,315	90,673
Local Transportation Funds 4.0	6,855,683	775,594	7,631,277	5,878,069
Local Transportation Funds 4.5		129,379	129,379	123,138
State Transit Assistance	1,815,543	47,368	1,862,911	1,876,877
Local operating assistance	263,750		263,750	176,611
FTA operating assistance	191,174	345,340	536,514	894,942
Local sales tax/Measure B funds - allocations	882,056	166,946	1,049,002	1,009,539
Local sales tax/Measure B funds				1,000,000
Local sales tax/Measure BB funds	652,432	279,814	932,246	176,311
Bridge tolls	580,836		580,836	580,836
Total Revenues	$13,555,486	$1,976,967	$15,532,453	$14,368,227
EXPENSES				
Labor	$1,294,884	$106,654	$1,401,538	$1,054,511
Fringe benefits	503,239	25,789	529,028	474,696
Services	970,391	23,086	993,477	693,142
Purchased transportation	8,661,419	1,788,167	10,449,586	9,896,982
Fuel, parts, supplies and other operation costs	1,119,612	3,902	1,123,514	1,498,928
Insurance	617,879	2,255	620,134	419,678
Administration and legal	388,062	27,114	415,176	330,290
Depreciation	2,848,613	3,113	2,851,726	3,593,338
Total Expenses	$16,404,099	$1,980,080	$18,384,179	$17,961,565

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. 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.

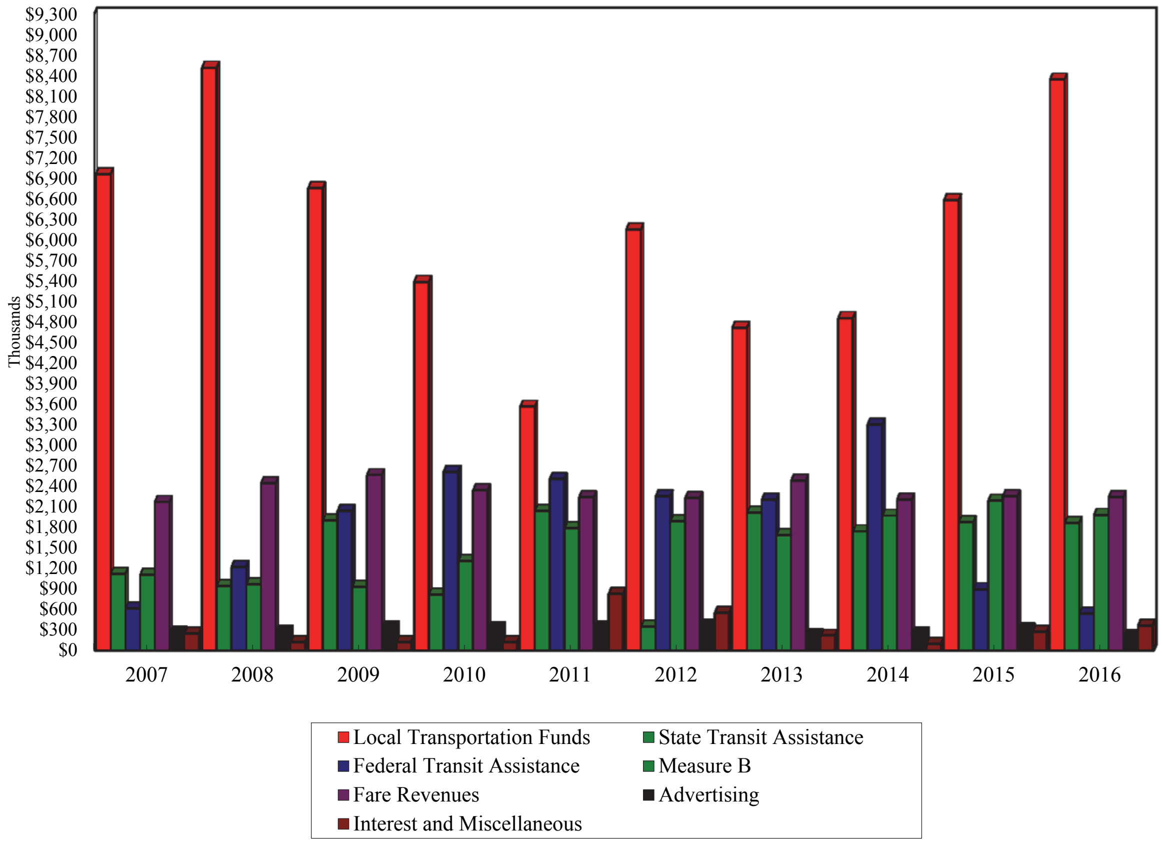
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Financial Trends
Changes in Net Position and Statement of Net Position
Last Ten Fiscal Years

	2007	2008	2009
Operating Revenues:			
Fare Revenue & Special Contract Revenue	$2,171,707	$2,439,990	$2,563,937
Advertising & Ticket Concessions	255,715	272,348	336,458
Total Operating Revenues	2,427,422	2,712,338	2,900,395
Operating Expenses:			
Board of Directors	16,604	15,526	24,922
Executive Director	204,540	203,844	236,926
Administrative Services	816,202	1,280,040	1,573,255
Planning	522,690	453,048	490,632
Marketing	424,933	462,340	399,096
Operations	10,483,366	12,052,937	11,922,206
Depreciation	2,992,874	3,173,773	3,090,734
Total Operating Expenses	15,461,209	17,641,508	17,737,771
Operating loss	(13,033,787)	(14,929,170)	(14,837,376)
Nonoperating Revenues (Expenses):			
Local Transportation Funds	6,962,330	8,516,655	6,754,812
State Transit Assistance	1,118,182	942,300	1,901,482
Local Operating Assistance			
Federal Transit Assistance	614,146	1,220,064	2,038,314
Measures B & BB	1,102,162	961,815	931,851
Bridge tolls	100,000	101,500	101,500
Interest and Miscellaneous	144,093	13,063	18,683
Gain (loss) on disposal of capital assets	(90,178)	(91,593)	(177,346)
Total Nonoperating Revenues	9,950,735	11,663,804	11,569,296
Add Capital contributions (grants)			
STP/CMAQ Grant			
FTA Capital Assistance	2,988,881	2,732,848	698,618
Local Transportation Funds 4.0	1,552,536	1,071,421	522,895
AVL State			
Bridge Tolls	702,124		621,139
Local Sales / Measure B			109,200
State Bond Fund - Prop 1B			812,646
State Transit Assistance			
STIP		1,500,000	
Contractor Contribution			
Total Capital Contributions	5,243,541	5,304,269	2,764,498
Change in net position	2,160,489	2,038,903	(503,582)
Net position - beginning of period	23,574,205	25,734,694	27,773,597
Net position - end of period	$25,734,694	$27,773,597	$27,270,015
Statement of Net Position			
Net investment in capital assets	$25,734,694	$27,773,597	$27,270,015

Source: LAVTA's basic financial statements.

2010	2011	2012	2013	2014	2015	2016
$2,341,303	$2,238,915	$2,224,902	$2,482,825	$2,206,694	$2,253,853	$2,239,549
327,377	332,274	365,394	222,653	245,295	307,378	207,674
2,668,680	2,571,189	2,590,296	2,705,478	2,451,989	2,561,231	2,447,223
10,670	12,100	13,800	11,900	15,000	13,900	12,400
238,527	223,373	256,528	256,794	301,175	267,874	286,187
1,382,776	1,389,776	1,433,790	1,451,961	1,487,766	1,463,419	1,626,818
489,442	474,195	445,676	467,394	484,615	549,575	872,266
432,056	465,480	481,728	297,587	320,775	308,716	380,240
10,356,462	10,719,199	11,144,981	11,052,981	11,818,800	11,764,743	12,354,542
3,499,951	3,542,369	3,984,765	3,749,118	3,554,273	3,593,338	2,851,726
16,409,884	16,826,492	17,761,268	17,287,735	17,982,404	17,961,565	18,384,179
(13,741,204)	(14,255,303)	(15,170,972)	(14,582,257)	(15,530,415)	(15,400,334)	(15,936,956)
5,390,330	2,876,917	5,570,918	4,055,154	4,134,353	6,001,207	7,760,656
817,396	2,040,616	348,781	2,011,249	1,742,123	1,876,877	1,862,911
85,883	758,038	540,671	208,538	36,347	176,611	263,750
2,611,235	2,503,783	2,250,272	2,201,915	3,306,883	894,942	536,514
1,307,095	1,782,765	1,891,459	1,687,287	1,969,687	2,185,850	1,981,248
	686,001	580,836	663,388	727,831	580,836	580,836
29,314	64,814	3,270	5,608	58,918	90,673	99,315
(248,369)	296,844	(218,247)	(474)	(14,718)	(153,065)	
9,992,884	11,009,778	10,967,960	10,832,665	11,961,424	11,653,931	13,085,230
10,009,505	6,429,256	802,913	3,991,864	403,473	86,710	62,522
2,030,479	498,903	281,898	313,069	731,653	213,514	82,892
74,999	225,322		70,195	773	37,851	15,020
265,557	153,154	496,713	1,242,373	537,063	111,868	111,765
		114,047	9,125			
		2,311,645	1,688,355			
		104,970				
12,380,540	7,306,635	4,112,186	7,314,981	1,672,962	449,943	272,199
8,632,220	4,061,110	(90,826)	3,565,389	(1,896,029)	(3,296,460)	(2,579,527)
27,270,015	35,902,235	39,963,345	39,872,519	43,437,908	41,541,879	38,245,419
$35,902,235	$39,963,345	$39,872,519	$43,437,908	$41,541,879	$38,245,419	$35,665,892
$35,902,235	$39,963,345	$39,872,519	$43,437,908	$41,541,879	$38,245,419	$35,665,892

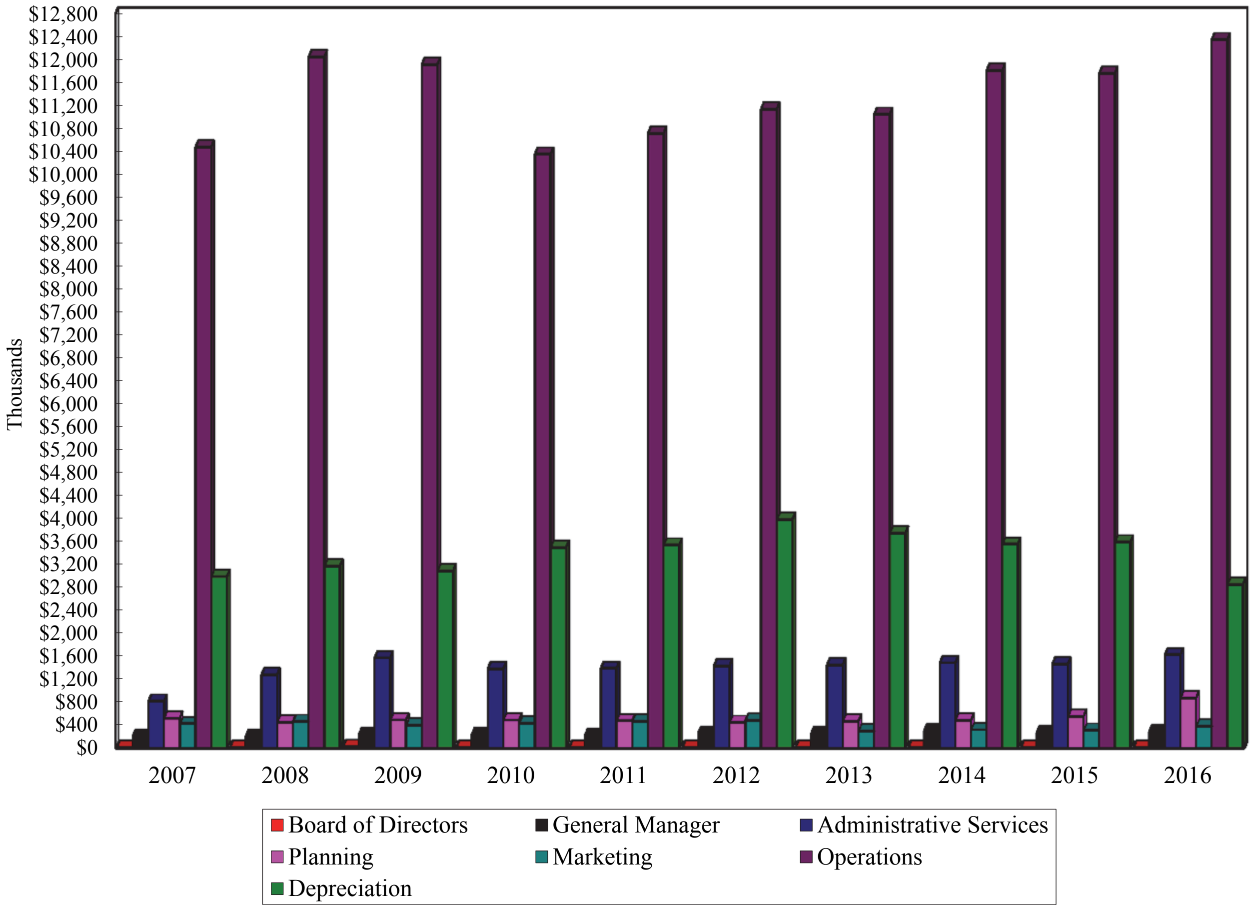
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS



Fiscal Year	Local Transportation Funds	State Transit Assistance	Federal Transit Assistance	Measures B & BB	Fare Revenues & Special Contract Revenue	Advertising & Ticket Concessions	Local Operating Assistance, Interest and Miscellaneous	Total
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
2014	4,862,184	1,742,123	3,306,883	1,969,687	2,206,694	245,295	95,265	14,428,131
2015	6,582,043	1,876,877	894,942	2,185,850	2,253,853	307,378	267,284	14,368,227
2016	8,341,492	1,862,911	536,514	1,981,248	2,239,549	207,674	363,065	15,532,453

Source: Livermore Amador Valley Transit Authority Audit Reports

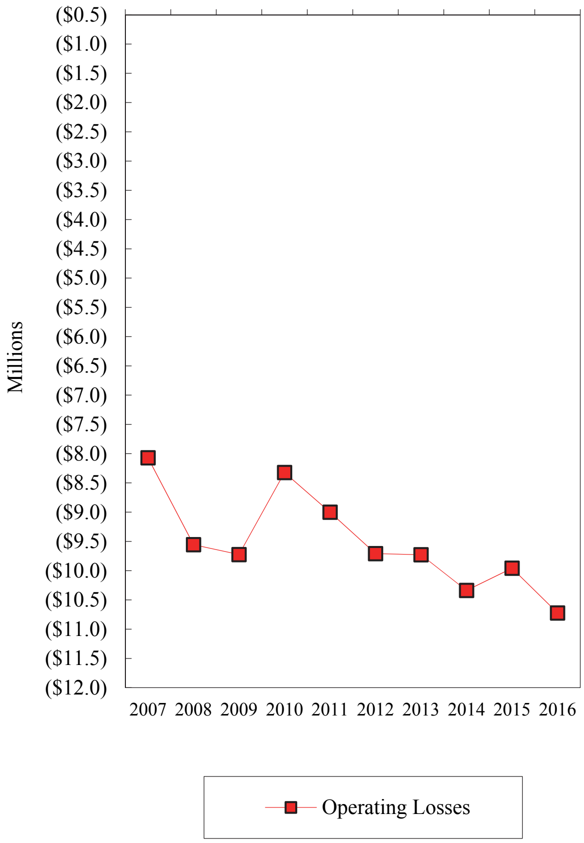
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

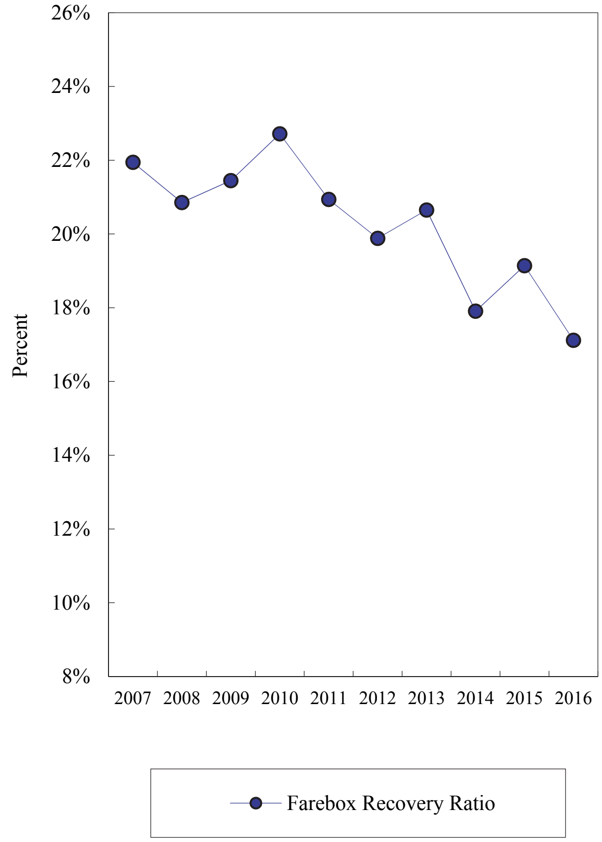


Fiscal Year	Board of Directors	General Manager	Administrative Services	Planning	Marketing	Operations	Depreciation	Total
2007	16,604	204,540	816,202	522,690	424,933	10,483,366	2,992,874	15,461,209
2008	15,526	203,844	1,280,040	453,048	462,340	12,052,937	3,173,773	17,641,508
2009	24,922	236,926	1,573,255	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
2014	15,000	301,175	1,487,766	484,615	320,775	11,818,800	3,554,273	17,982,404
2015	13,900	267,874	1,463,419	549,575	308,716	11,764,743	3,593,338	17,961,565
2016	12,400	286,187	1,626,818	872,266	380,240	12,354,542	2,851,726	18,384,179

Source: Livermore Amador Valley Transit Authority Audit Reports

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



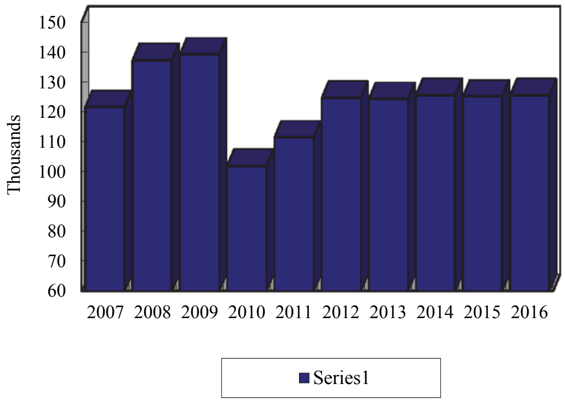


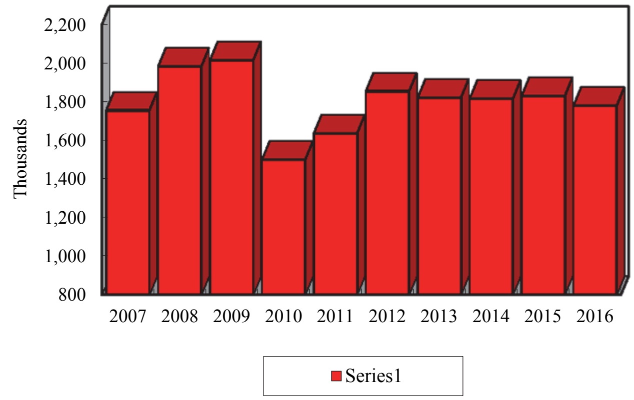
Fiscal Year	Operating Expenses Excluding Insurance and Depreciation	Fare & Auxiliary Transportation Revenues	Operating Loss Before Insurance and Depreciation	Farebox Recovery Ratio
2007	10,340,040	2,268,995	(8,071,045)	21.9%
2008	12,074,017	2,517,855	(9,556,162)	20.9%
2009	12,379,790	2,655,341	(9,724,449)	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%
2014	12,593,085	2,255,015	(10,338,070)	17.9%
2015	12,315,547	2,357,410	(9,958,137)	19.1%
2016	12,937,607	2,214,697	(10,722,910)	17.1%

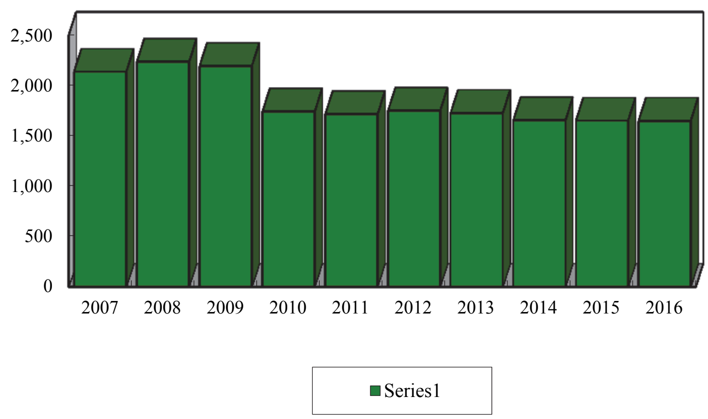
Source: Livermore Amador Valley Transit Authority Audit Reports

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



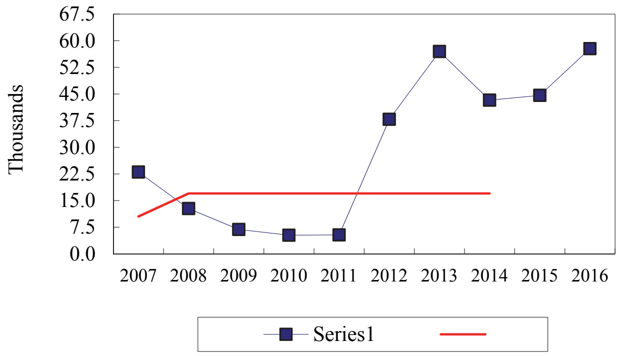


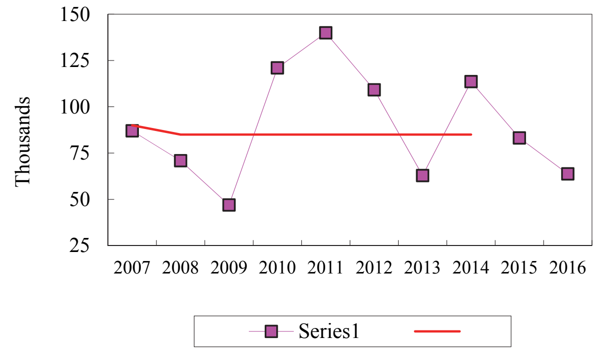


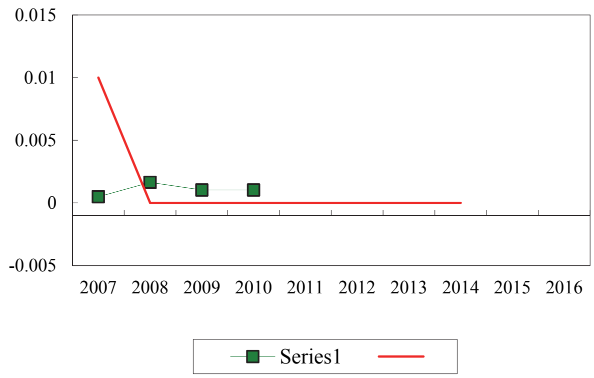
Fiscal Year	Revenue Hours	Revenue Miles	Passengers
2007	121,686	1,756,274	2,136,005
2008	137,452	1,983,822	2,234,210
2009	139,304	2,017,218	2,194,898
2010	102,047	1,500,165	1,740,297
2011	111,484	1,637,604	1,712,879
2012	124,702	1,855,438	1,749,168
2013	124,353	1,822,867	1,727,085
2014	125,706	1,816,916	1,652,151
2015	125,201	1,831,125	1,650,388
2016	125,604	1,780,948	1,648,811

Source: National Transit Database Report (Formerly Section 15)

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



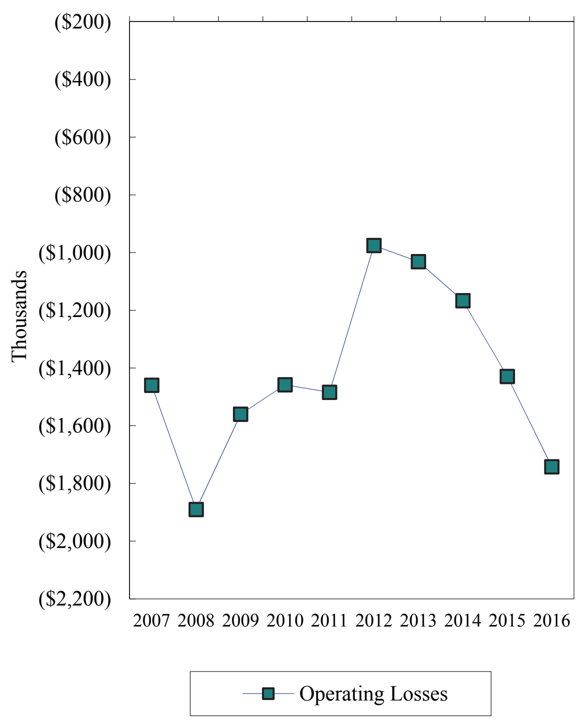


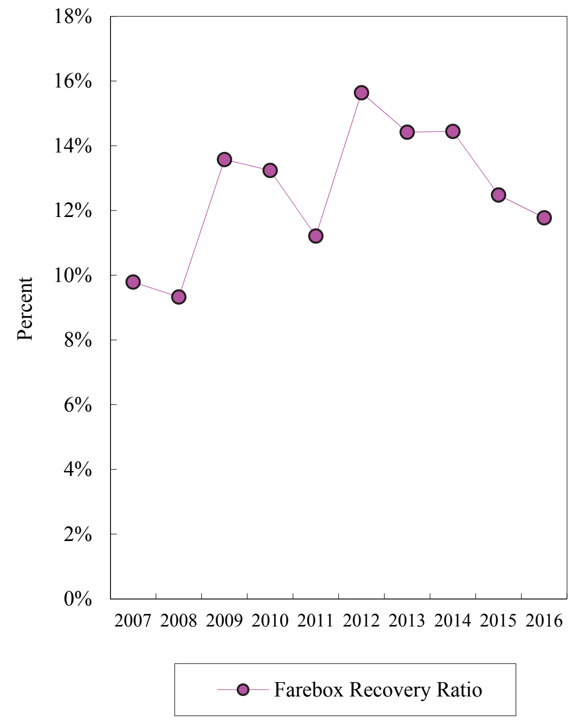


Fiscal Year	Miles Between Road Calls	Goal	Miles Between Accidents	Goal	Injuries/ Boardings	Goal
2007	23,020	17,000-20,000	86,964	85,000-100,000	3/2,136,005	N/A
2008	12,750	17,000-20,000	70,850	85,000-100,000	3/2,234,210	N/A
2009	6,861	17,000-20,000	46,912	85,000-100,000	2/2,194,898	N/A
2010	5,233	17,000-20,000	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
2014	43,260	17,000-25,000	113,557	100,000	6/1,652,151	N/A
2015	44,620	17,000-25,000	83,156	100,000	7/1,650,388	N/A
2016	57,764	17,000-25,000	63,740	100,000	9/1,648,811	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



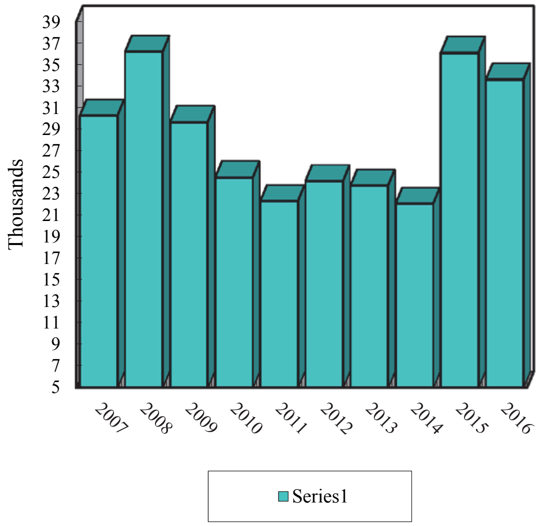


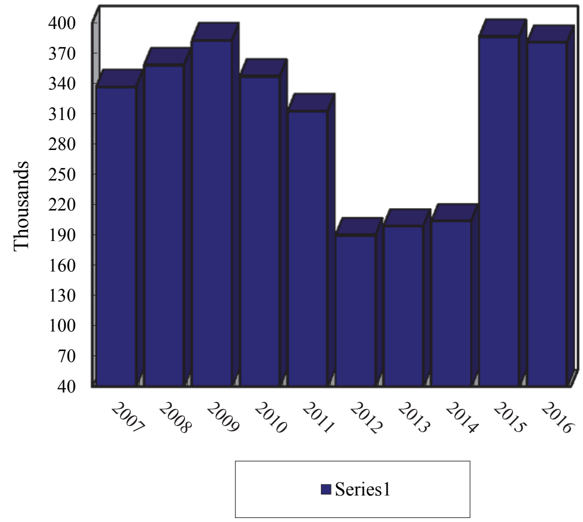
Fiscal Year	Operating Expenses Excluding Insurance and Depreciation	Fare & Auxiliary Transportation Revenues	Operating Loss Before Insurance and Depreciation	Farebox Recovery Ratio
2007	1,618,198	158,427	(1,459,771)	9.8%
2008	2,084,737	194,483	(1,890,254)	9.3%
2009	1,805,246	245,054	(1,560,192)	13.6%
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%
2014	1,363,619	196,974	(1,166,645)	14.4%
2015	1,633,002	203,821	(1,429,181)	12.5%
2016	1,974,712	232,526	(1,742,186)	11.8%

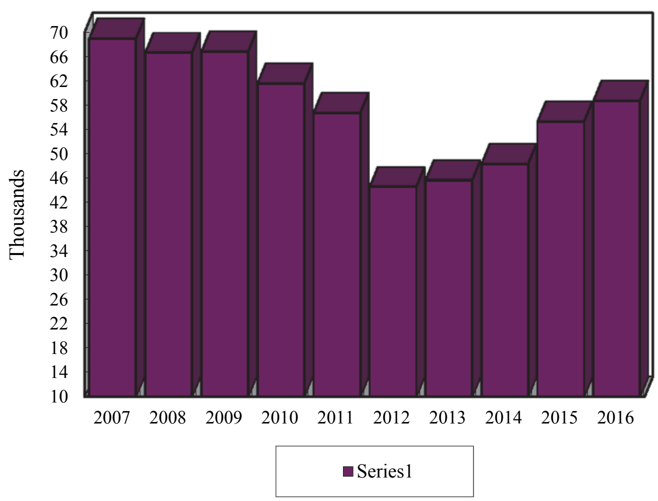
Source: Livermore Amador Valley Transit Authority

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



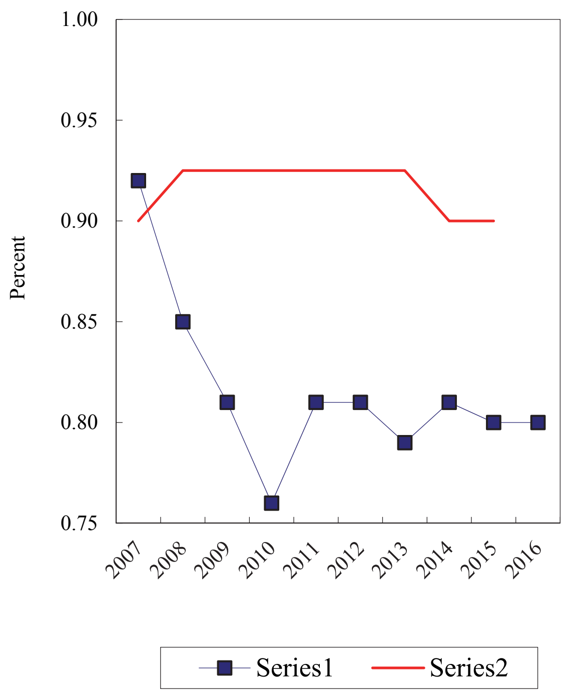


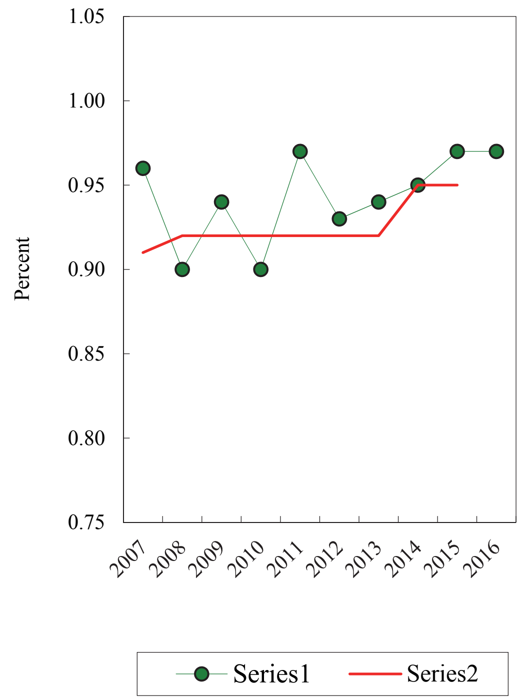


Fiscal Year	Revenue Hours	Revenue Miles	Passengers
2007	30,311	336,835	69,016
2008	36,224	358,386	66,714
2009	29,689	383,051	66,870
2010	24,551	347,357	61,619
2011	22,350	312,903	56,795
2012	24,218	190,026	44,596
2013	23,807	199,011	45,704
2014	22,121	203,932	48,388
2015	36,120	386,586	55,341
2016	33,642	380,831	58,798

Source: National Transit Database Report (Formerly Section 15)

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



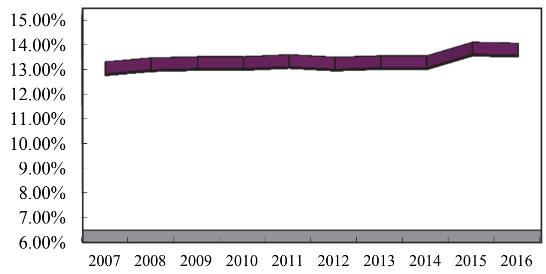


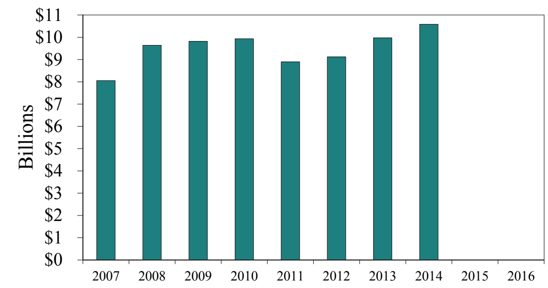
Fiscal Year	Fixed Route On-Time Departure	Fixed Route Goal	Paratransit On-Time Departure	Paratransit Goal
2007	0.92	0.90-0.95	0.96	0.91-0.93
2008	0.85	0.90-0.95	0.90	0.91-0.93
2009	0.81	0.90-0.95	0.94	0.91-0.93
2010	0.76	0.87-0.83	0.90	0.91-0.93
2011	0.81	0.87-0.83	0.97	0.91-0.93
2012	0.81	0.90	0.93	≤ 0.95
2013	0.79	0.90	0.94	≤ 0.95
2014	0.81	0.90	0.95	≤ 0.95
2015	0.80	0.90	0.97	≤ 0.95
2016	0.80	0.85	0.97	0.95

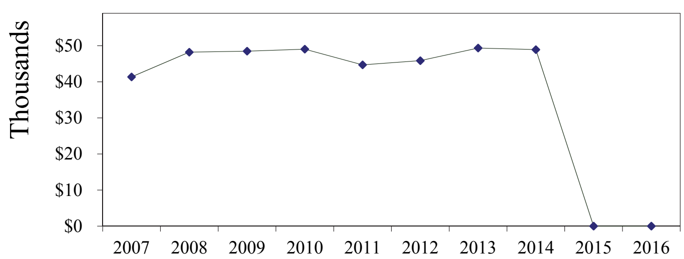
Source: Livermore Amador Valley Transit Authority Short Range Transit Plans or Contractor Service Quality Standards Index

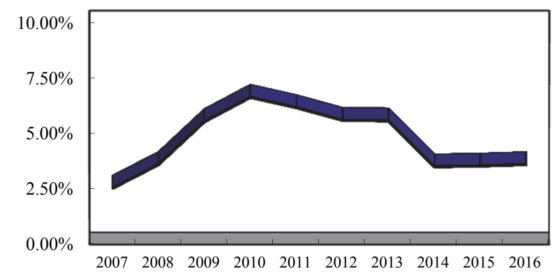
Note: Charts include all available data

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









Fiscal Year	Authority Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Alameda County Population	Authority Population % of County
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	9,935,520,184	49,048	6.63%	1,557,749	13.00%
2011	199,073	8,896,995,748	44,692	6.17%	1,521,157	13.09%
2012	198,893	9,120,795,800	45,858	5.60%	1,532,137	12.98%
2013	202,002	9,968,724,525	49,350	5.57%	1,548,681	13.04%
2014	205,086	10,584,221,916	48,921	3.50%	1,573,254	13.04%
2015	216,684	info not avail	info not avail	3.53%	1,594,569	13.59%
2016	220,469	info not avail	info not avail	3.60%	1,627,865	13.54%

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

	2015-16		
Employer	**Number of Employees**	**Rank**	**Percentage of Total Authority Population**
Lawrence Livermore National Lab	6,000	1	2.7%
Kaiser Permanente	3,741	2	1.7%
Safeway Incorporated	2,600	3	1.2%
Workday Incorporated	2,250	4	1.0%
U.S. Government & Federal Correction Institute	2,100	5	1.0%
Oracle	1,612	6	0.7%
Stanford/Valleycare Medical Center	1,300	7	0.6%
Livermore Valley Joint Unified School District	1,300	8	0.6%
Pleasanton Unified School District	1,293	9	0.6%
Sandia National Laboratories	1,200	10	0.5%
Subtotal	23,396		10.6%
Total Authority Population	220,469		

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,				
	2007	2008	2009	2010	2011
Function					
Executive Director	1.00	1.00	1.00	1.00	1.00
Administrative Services	4.00	7.00	7.00	8.00	8.00
Planning	2.00	4.00	5.00	5.00	5.00
Marketing	2.00	2.00	2.00	2.00	2.00
Operations	2.00	0.00	0.00	0.00	0.00
Total	11.00	14.00	15.00	16.00	16.00

	Adopted for Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Function					
Executive Director	1.00	1.00	1.00	1.00	1.00
Administrative Services	8.00	8.00	8.00	8.00	8.00
Planning	5.00	4.00	4.00	4.00	4.00
Marketing	2.00	2.00	2.00	2.00	2.00
Operations	0.00	0.00	0.00	0.00	0.00
Total	16.00	15.00	15.00	15.00	15.00

Source: Livermore/Amador Valley Transit Authority

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

	Fiscal Year				
	2007	2008	2009	2010	2011
Function/Program					
Fixed Route					
Total Vehicles	74	64**	65	59	74
Average Fleet Age	8.20	8.00	8.42	7.97	8.11
Vehicles Operated In Maximum Service	45	47	48	46	51
Paratransit					
Total Vehicles	27	24	21	18	18
Average Fleet Age	n/a	3.87	4.43	4.33	4.33
Vehicles Operated In Maximum Service	17	18	14	12	12
Shared Stations Maintenance Facilities	2	2	3	3	3

	Fiscal Year				
	2012	2013	2014	2015	2016
Function/Program					
Fixed Route					
Total Vehicles	74	74***	74	66	64
Average Fleet Age	8.29	9.40	10.40	10.27	11.20
Vehicles Operated In Maximum Service	51	51	51	49	49
Paratransit					
Total Vehicles	18	15	7	4	0
Average Fleet Age	4.80	5.00	7.00	9.00	0.00
Vehicles Operated In Maximum Service	0	0	0	0	0
Shared Stations Maintenance Facilities	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

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, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016. 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.

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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*.

We have also issued a separate Memorandum on Internal Control dated October 26, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
October 26, 2016

**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, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 26, 2016. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We have also issued a separate Memorandum on Internal Control dated October 26, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
October 26, 2016

**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, 2016, and have issued our report thereon dated October 26, 2016.

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.

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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*.

We have also issued a separate Memorandum on Internal Control dated October 26, 2016 which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

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

Maze + Associates

Pleasant Hill, California
October 26, 2016