

STAFF REPORT

SUBJECT: Fiscal Year 2018 Comprehensive Annual Financial Report (CAFR)

FROM: Tamara Edwards, Director of Finance

DATE: December 3, 2018

Action Requested

Review and 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 2018. This report includes the annual audit prepared by Maze and Associates and staff stating that for the period audited, there were no findings.

A manager from Maze and Associates will be attending December 3, 2018 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 that the Board of Directors accept the Comprehensive Annual Financial Report (CAFR), and direct staff to submit the CAFR to the Government Finance Officers Association (GFOA) for award.

Attachments:

1. Draft LAVTA 2018 Comprehensive Annual Financial Report

Approved: _____



Comprehensive Annual Financial Report

Livermore Amador Valley Transit Authority
1362 Rutan Court, Suite 100
Livermore, CA 94551

Office: (925) 455-7555
Fax: (925) 455-1375



wheelsbus.com

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

PREPARED BY THE ADMINISTRATIVE SERVICES DEPARTMENT

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Introduction Section

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LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
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LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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November 1, 2018

**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, 2017 through June 30, 2018.

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, Measure B, and Measure BB 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 60 buses. The fleet includes the vehicles for local fixed route and bus rapid transit (BRT) service and in 2017/2018 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 2018 fiscal year a Director of Planning and Marketing, Director of Finance, Manager of Customer Service and Contract Oversight, Senior Transit Planner, Senior Fleet & Technology Management Specialist, Paratransit Planner, Senior Grants and Management Specialist, Marketing & Communications Specialist, Administrative Assistant, Accounting Analyst, Customer Service Supervisor and two 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 (MTM)

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 233,061 residents. The service area is divided into two sub-areas: Pleasanton/Dublin and Livermore.

The Authority provides the following transportation services: Fixed Route (Wheels) Service, Bus Rapid Transit (Rapid) Service, Demand Responsive Paratransit Service (Dial-A-Ride) to senior and disabled persons and on-demand services in the City of Dublin through a partnership with Transportation Network Companies (TNC).

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 5,871 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 .1% decrease from FY2015 to FY2016, and another decrease of 6.8% in FY2017. Ridership increased in in FY2018; at 1,647,002, which was a 7.2% increase from FY2017.

LAVTA's Rapid service, launched in January 2011 features 15-minute service on major arterials throughout the Tri-Valley offering a connection to every BART Train. The primary goal of the service is to connect major Tri-Valley employment, retail, medical, and civic locations with fast and efficient bus service as well as to BART. 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 50,967 mobility-impaired patrons in FY2018 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 increased between FY13-FY16. There was a sharp increase in paratransit trips between FY15 and FY16, which led to increased enforcement of existing paratransit operational and eligibility policies to manage demand. As expected, there was a decrease in trips between FY16 and 17, and another decrease between FY16 and FY17. LAVTA also subsidizes taxi rides for paratransit eligible-passengers through its parataxi program.

The August 2016 bus system redesign shifted unproductive fixed route resources away from low-ridership areas and boosted frequency on major arterials. This left places in the Wheels service area without fixed route service. In order to continue to provide residents with a transportation option, LAVTA staff engaged in a pilot partnership with Transportation Network Companies (Uber, Lyft and De Soto Cab) to provide discounted service in the City of Dublin. This pilot program is expected to continue through FY2019.

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, 2018 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; Measures B, and BB, 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 “unmodified” meaning there were no compliance exceptions.

FISCAL YEAR IN REVIEW

LAVTA’s FY18 Budget was \$18,365,924 which was 6.02% higher than FY16. For the seventh 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.

In August 2016, a major service redesign was implemented following the Wheels Forward/Comprehensive Operational Analysis. In FY18, LAVTA staff continued to monitor the routes post-implementation and have made minor schedule adjustments to better connect the routes with one another, as well as with BART. On-Time performance during FY18 was 86.0%, up from 83.3% in FY17. Total ridership for FY18 was over 1.6 million, a 7.2% increase from the previous 12 month period.

The capital program had one major area of focus: LAVTA ordered twenty electric-hybrid buses that were received in summer 2018. LAVTA also spent time updating bus shelters with new lighting throughout the service area.

Fiscal Year 2018 Accomplishments

While the previous section summarizes the financial situation last year, this section describes the work accomplished in FY18. 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 2018 Legislative Program and participated in development of state legislation, including two bills related to transit fleet electrification that did not advance out of the legislature. Participated in regional policymaking processes related to transit performance accountability and potential future performance mandates tied to system performance.

Fixed Route Service/Planning – Minor schedule adjustments in February 2018 for all routes connecting with BART due to BART schedule adjustments; completed annual survey to assess customer satisfaction of fixed route services; continued service to Pleasanton and Dublin summer school; completed Dublin school service plan and began implementation of redesigned services; operated a dedicated shuttle during the Alameda County Fair.

Paratransit Service - completed the annual survey to assess customer satisfaction of paratransit services; completed fourth full year with MTM; continued the Mobility Forward study of the Tri-Valley paratransit system; continued interviews as a component of the paratransit eligibility process; continued to work with MTM on managing ridership demand.

Capital Projects – installed new Rapid stops at on N Canyons Parkway; worked with Livermore staff to relocate and renovate the historic train depot to the Livermore Transit Center; continued to work with software vendor on functionality of Viewpoint Software for improved management of bus system; purchased 20 hybrid diesel-electric replacement buses; installed new fareboxes on twenty of the agencies “older” vehicles.

Marketing – worked with students and executive staff at Las Positas College to develop a sustainable funding source for an unlimited access student pass program through a student mobility initiative, which passed with a 90% affirmative vote; promoted year two of pilot Student Transit Pass Program at Livermore and Del Valle High Schools, and East Avenue and Christensen Middle Schools; launched year two of individualized marketing program focused along the Dublin Boulevard corridor in Dublin; launched the testing phase of the Shared Autonomous Vehicle (SAV project); completed the Try Transit campaign for middle and high school riders; installed art shelter at Las Positas & Lawrence in Livermore.

Audits/Reviews - completed the FY17 Financial Audit (CAFR); completed an audit on RM2 funds, and completed an FTA Triennial review with only one finding.

Financial Management - received GFOA’s Award of Excellence for Financial Reporting for FY17 CAFR;

Procurement – LAVTA’s largest procurement this year involved the Fixed Route operations and Maintenance contract.

Personnel – completed an agency organizational redesign that added the position of Manager of Customer Service and Contract oversight and combined the positions of Director of Planning and Marketing Manager.

FUTURE OUTLOOK

LAVTA’s FY19 Budget is \$20,573,995 which is 12.02% higher than FY18. The budget assumes LAVTA will provide 137,616 fixed route service hours and 58,000 paratransit trips, and \$75,000 in Wheels on Demand reimbursements. Additionally, the agency’s budget includes expenses and revenues for the Valley Links Rail Environmental Impact Report process. For the first time in nine years a fare increase was approved by the Board of Directors and will be implemented in January of 2019. The impact of the fare increase will be a drop in ridership of 3% and an increase in fare revenue of \$280,000. The Budget for FY19 continues to comply with the Board’s policy to maintain reserves equivalent to 3-6 months of operating costs.

FY19’s major highlights will be continuing the ongoing monitoring of the route network and making adjustments as necessary, evaluating the Go Dublin pilot and making recommendations for expansion, implementing the SAV test in Dublin, finalizing recommendations for the Mobility Forward study, drafting the Long Range Transit Plan for the Agency, rebranding the buses with a new *Wheels* logo, upgrading the transit signal priority and expanding to new intersections.

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's largest projects this year will be the upgrade of bus shelters and stops, and the upgrade of the Valley's TSP system.

As the transit agency enters into FY19, its activities will occur against the backdrop of an economy continuing to gain momentum after the Great Recession. FAST ACT, the approved federal transportation bill, provides relatively flat, but stable funding for the next few years. State funding for transportation also remains relatively flat.

Fiscal Year 2019 Goals

FY19 marks the eleventh 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 FY19:

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) Complete review of fixed routes and create Long Range Transit Plan
- (2) Complete Comprehensive Paratransit Assessment
- (3) Complete Fare Study
- (4) Renegotiate the Hacienda Pass
- (5) Finish Transit Signal Priority Project
- (6) Monitor Go Dublin Program
- (7) Complete Dublin Service Plan
- (8) Complete 12 tests on SAV project
- (9) Complete Advanced Intelligent Intersection Project with City of Dublin
- (10) Upgrade video system on fixed Route Buses and Install video systems on paratransit vehicles.

Goal: Marketing and Public Awareness

Strategies:

- (1) Implement the FY19 Marketing Plan

Projects:

- (1) Improve website with commuter area
- (2) Consider mobile ticketing app
- (3) Replace bus stop signs with rebranded logo/look
- (4) Conduct individualized marketing in Pleasanton along Santa Rita
- (5) Complete N Canyons Parkway Bus Stop Project
- (6) Significantly complete the Pleasanton Smart Trips Corridor Rapid Bus Stop Project
- (7) Replace shelters pass their useful life in Livermore

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) Development TMA documents for use in City of Dublin
- (2) Encourage City of Livermore to conduct TOD planning adjacent to Livermore Transit Center

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 FY19 Legislative Plan
- (2) Continue support of Tri-Valley – San Joaquin Valley Regional Rail Authority/Valley Link
- (3) Assist County of Alameda with Dublin Parking Garage

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 through Viewpoint
- (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.
- (4) Continue planning of Atlantis

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 FY19 budget with emphasis on growing ridership from bus system redesign
- (2) Achieve continuing recognition for financial management excellence

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 2017, the number of

households in Alameda County is expected to grow by 35% between 2010 and 2040. Employment is projected to grow by 35%..¹

The Tri-Valley cities have a lower unemployment rate than other cities in Alameda County, the state, and the nation. Statistics for 2018 show that unemployment rates in Tri-Valley is 2.53% compared to the county-wide figure of 2.6%.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. These changes increased ridership in FY18. 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, 2017. This was the twenty second consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This Report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments


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

Executive Director



Michael Tree

Director of Finance



Tamara Edwards

¹ Source: Land Use Modeling Report, Plan Bay Area 2040 Final Supplemental Report, July 2017.

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

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

PRINCIPAL OFFICIALS

June 30, 2018

Board of Directors

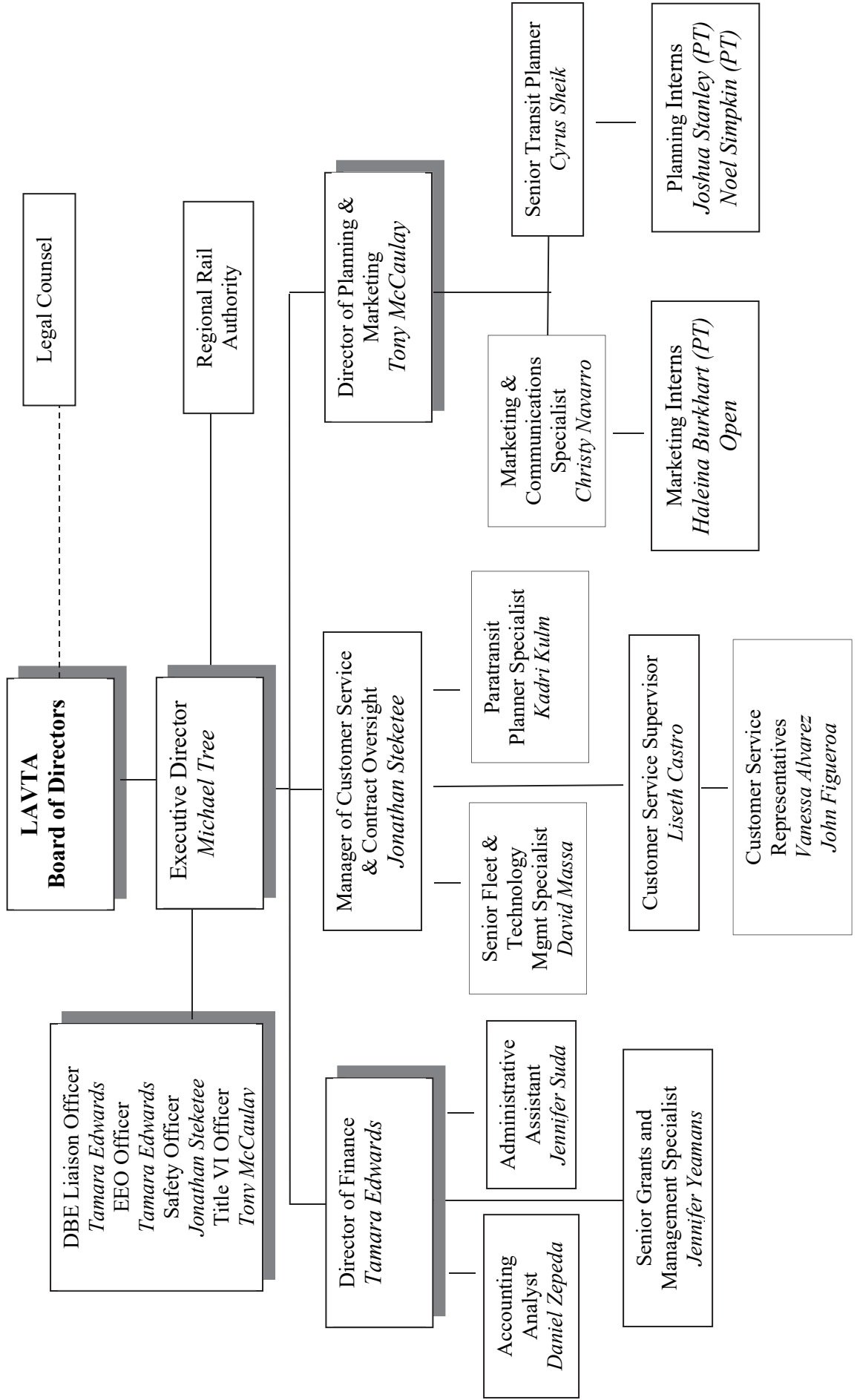
Chair Karla Brown, Councilmember, City of Pleasanton
Vice Chair..... Scott Haggerty, Supervisor, Alameda County
Member Bob Coomber, Councilmember, City of Livermore
Member Jerry Pentin, Vice Mayor, City of Pleasanton
Member David Haubert, Mayor, City of Dublin
Member Don Biddle, Vice Mayor, City of Dublin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

Staff

Executive Director Michael Tree
Director of Planning & Marketing..... Tony McCauley
Director of Finance Tamara Edwards
Manager of Customer Service &
Contract OversightJonathan Steketee
Senior Transit Planner Cyrus Sheik
Senior Fleet and Technology Management
Specialist David Massa
Paratransit Planner.....Kadri Kulm
Senior Grants, Project Management, &
Contracts Specialist Jennifer Yeamans
Accounting Analyst Daniel Zepeda
Administrative AssistantJennifer Suda
Marketing and Communications Specialist...Christy Navarro
Customer Service Supervisor Liseth Castro
Customer Service Representative..... Vanessa Moreno
Customer Service Representative..... John Figueroa

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

Organizational Chart





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, 2017

Christopher P. Morill

Executive Director/CEO

Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of each major fund of the Livermore Amador Valley Transit Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Authority as of June 30, 2018 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 accordance with accounting principles generally accepted in the United States of America.

Change in Account Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required a prior period adjustment to the financial statements and required the restatement of net position as discussed in Note 1 and Note 7.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 November 1, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze + Associates

Pleasant Hill, California
November 1, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2018

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, 2018.

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, 2018 basic financial statements.

Background and Overview of the Presentation of the Financial Statements

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

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

1. *The Independent Auditor's Report.* This is an annual report prepared by the auditor to accompany the financial statements.
2. *Management Discussion and Analysis (MD&A).* This report accompanies the GASB34 compliant financial statements. The MD&A must include:
 - A brief explanation of the presentation that makes up the basic financial statements and the relationship of one statement to another.
 - Condensed financial information, allowing comparison of current and prior fiscal periods.
 - Analysis of the Authority's overall financial position (Statement of Net 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, 2017 and June 30, 2016:

Table 1

Statement of Net Position	Year Ending 6/30/2018	Year Ending 6/30/2017
Assets:		
Cash and investments	\$8,796,928	\$6,891,286
Receivables	6,208,797	5,136,796
Capital assets (depreciated)	62,661,701	51,240,131
OPEB asset		531,210
Total assets	<u>77,667,426</u>	<u>63,799,423</u>
Deferred Outflows		
Deferred Outflows	<u>916,726</u>	<u>380,845</u>
Liabilities:		
Accounts/Claims payable	4,878,578	3,963,725
Due to LTF	10,198,420	7,909,098
Net Pension Liability	1,075,263	886,251
Net OPEB liability	813,894	
Total liabilities	<u>16,966,155</u>	<u>12,759,074</u>
Deferred Inflows		
Deferred inflows	<u>\$94,991</u>	<u>\$79,607</u>
Net Position:		
Net investments in capital assets	2,661,701	51,240,131
Unrestricted	<u>(1,138,695)</u>	<u>101,457</u>
Total restricted Net Position	<u>61,523,006</u>	<u>51,341,588</u>

Assets and Deferred Outflows

Total assets and deferred outflows amounted to \$78,584,152 consisting of \$15,005,725 in current assets such as cash and accounts receivable, \$62,661,701 in capital assets primarily vehicles and facilities including furnishings and equipment, and \$916,726 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, 2018 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.

Farebox System Upgrade

The authority purchased new buses in FY17 and FY18. These new buses came with an upgraded farebox system. The remaining twenty older vehicles required an upgrade to their fareboxes in order to have the farebox and farebox reporting system match. The authority took this on in FY18 and will complete the project in FY19.

TSP System Upgrade

In a number of high use intersections throughout the authority's service area Transit Signal Priority detectors have been placed. This system allows the transponder on the buses, when certain conditions are met, to communicate with the detector and cause the green light to remain green for a longer period of time. This technology helps decrease the travel time. The authority is in the process of upgrading this system to a GPS based system to improve efficiency.

Liabilities and Deferred Inflows

Liabilities and deferred inflows totaled \$17,061,146 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 \$11,097,097 in reserves.

Net Position

Change of Net Position was \$10,181,418 this increase in Net Position is due to the additions of capital assets being greater than the depreciation on existing 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 four programs: fixed route and paratransit bus services, WHEELS on Demand, and Rail Planning activities. 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, 2018 and June 30, 2017:

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

	Year Ending 6/30/2018	Year Ending 6/30/2017
EXPENSES		
Expenses, non-capital		
Board of Directors	\$12,600	\$14,000
Executive Director	1,595,315	389,213
Administrative Services	1,435,628	1,774,636
Planning	813,384	635,082
Marketing	581,771	749,882
Operations	<u>12,582,572</u>	<u>12,150,840</u>
Total Expenses, non-capital	<u>17,021,270</u>	<u>15,713,653</u>
Expenses, capital		
Depreciation	4,831,174	2,899,301
Total Expenses, capital	4,831,174	2,899,301
Total expenses	<u>21,402,444</u>	<u>18,612,954</u>
 REVENUES		
Program operating revenues:		
Fare and contract revenues	\$2,358,653	\$2,100,641
Advertising and ticket concessions	134,585	220,205
Total operating revenues	2,493,238	2,320,846
Non-operating revenues, non-capital:		
Operating grants and contributions	14,517,071	13,425,282
Total non-operating revenues, non-capital	<u>14,517,071</u>	<u>13,425,282</u>
Total non-capital revenues	<u>17,010,309</u>	<u>15,814,240</u>
 Net Loss Before Capital Contributions	 4,391,935	 2,866,826
 Non-operating revenues, capital		
Gain (Loss) on Disposal of Equipment	<u>(33,816)</u>	<u>54,800</u>
Total Gain (Loss)	<u>(33,816)</u>	<u>54,800</u>
Net non-operating revenues before capital contributions (grants)	<u>14,483,255</u>	<u>13,480,082</u>
Capital grants, net		
Total capital grants, net	<u>15,836,559</u>	<u>18,487,722</u>
Total revenues	<u>\$32,813,052</u>	<u>\$34,288,650</u>
 CHANGE IN NET POSITION		
Net Position, beginning	<u>50,112,398</u>	<u>35,665,892</u>
Net Position, ending	<u>61,523,006</u>	<u>51,341,588</u>

Expenses

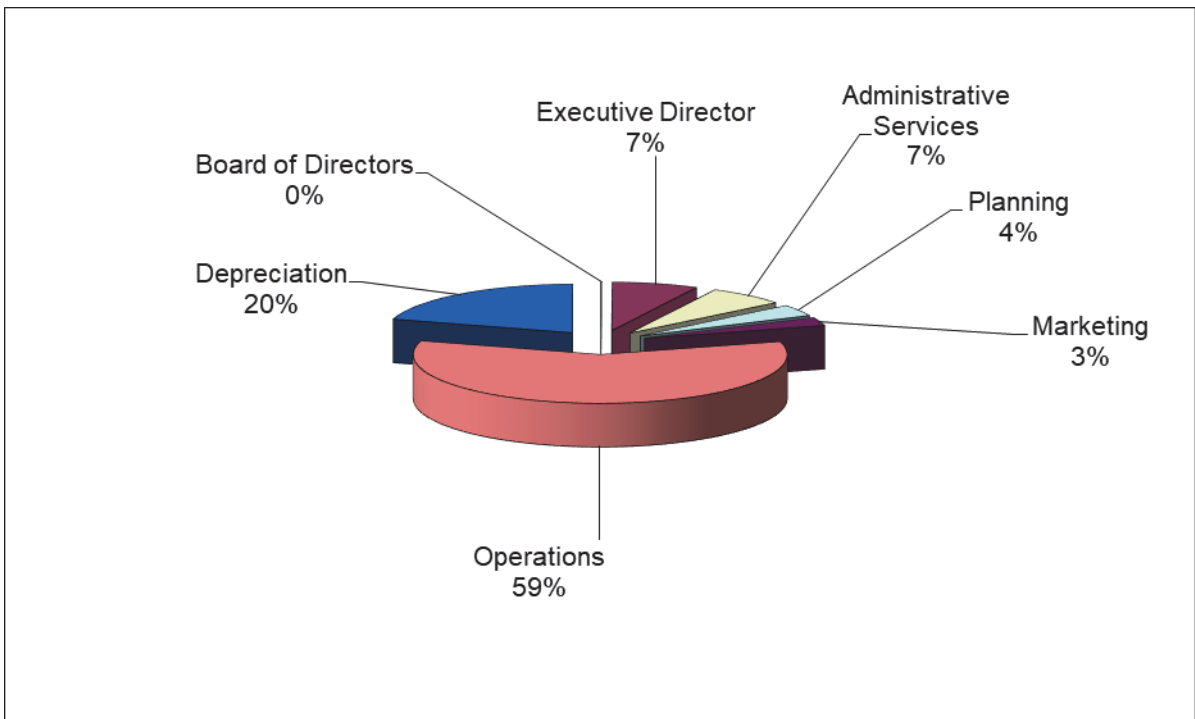
Total expenses including depreciation (which was \$4,831,174) were \$21,402,444 in the fiscal year ending June 30, 2018. Adjusting for depreciation this was an 7.7% increase over the prior year. The increase in expenses was driven by a number of factors, including contract increases for the purchased transportation providers and the costs associated with both WHEELS on Demand and the Rail Planning function.

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 2018.



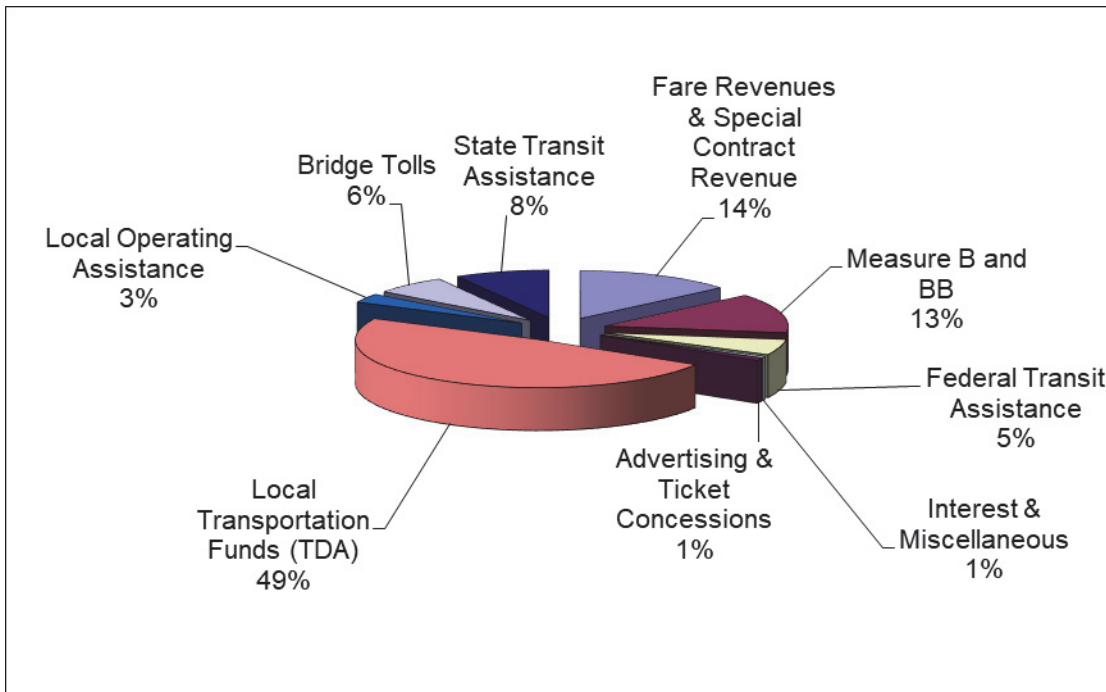
Revenues

The Authority’s primary source of operating revenue is Transportation Development Act (TDA) Article 4.0 and 4.5 funds. In FY18, TDA accounted for 49% 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 \$890,169 or 5% of the total; this is an increase over the prior year.

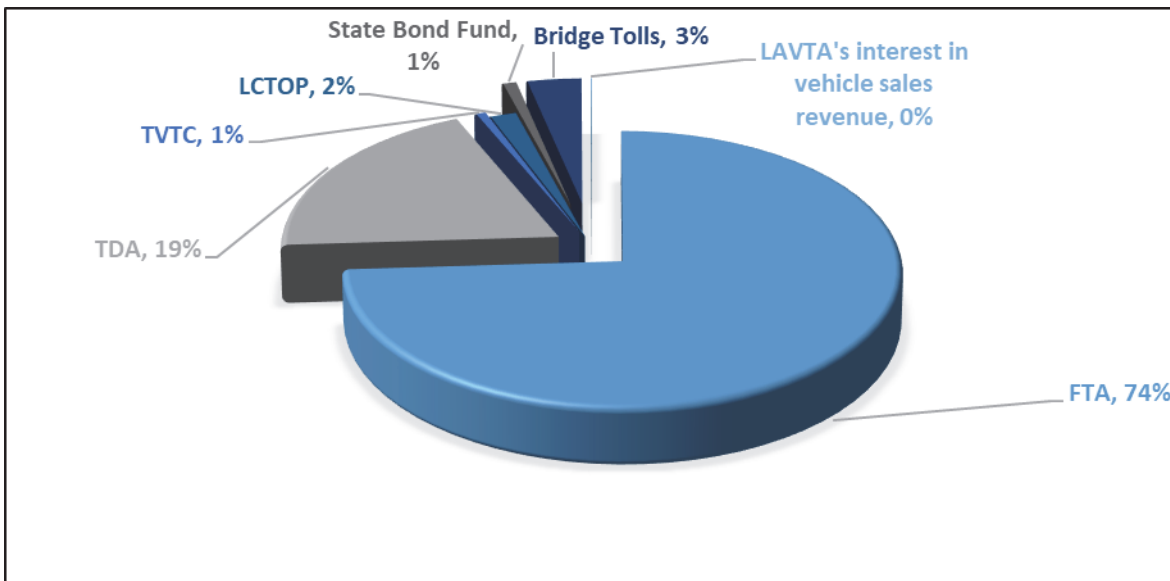
Revenue generated from operations (farebox, contract, and advertising revenues) also increased from the prior year.

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 2018.



Capital Contributions

Capital contributions in the fiscal year ending June 2018 were \$15,836,559 which is a decrease over the capital contributions for the fiscal year ending June 30, 2017 of \$2,651,163. The decrease in capital contributions is attributed to the decrease in capital spending, brought on a twenty two bus purchase in FY17 versus an 18 bus purchase in FY18. Below are percentages by capital funding source for the fiscal year ending June 2018.



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, 2018
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2017

	2018				Totals	2017 Totals
	Fixed Route Program	Paratransit Program	WHEELS on Demand	Rail Planning		
ASSETS						
Current Assets						
Cash and investments (Note 2)	\$8,796,928				\$8,796,928	\$6,891,286
Receivables:						
Accounts	1,791,781	\$792,389	\$553,246	\$808,169	3,945,585	1,695,990
Capital grants	612,875				612,875	3,006,487
Due from other fund (Note 1I)	1,499,098				1,499,098	245,910
Prepaid expenses	149,544	1,695			151,239	188,409
Total current assets	12,850,226	794,084	553,246	808,169	15,005,725	12,028,082
Noncurrent Assets						
OPEB Asset						531,210
Capital Assets (Note 3):						
Land and construction in progress	27,454,591				27,454,591	29,329,029
Depreciable assets	71,665,992	40,452			71,706,444	54,139,422
Subtotal capital assets	99,120,583	40,452			99,161,035	83,468,451
Less: accumulated depreciation	(36,465,103)	(34,231)			(36,499,334)	(32,228,320)
Capital assets, net	62,655,480	6,221			62,661,701	51,240,131
Total noncurrent assets	62,655,480	6,221			62,661,701	51,771,341
Total Assets	75,505,706	800,305	553,246	808,169	77,667,426	63,799,423
DEFERRED OUTFLOWS OF RESOURCES						
Pension related (Note 8)	636,066				636,066	380,845
OPEB related (Note 10)	280,660				280,660	
Total Deferred Outflows of Resources	916,726				916,726	380,845
LIABILITIES						
Current Liabilities						
Due to other funds (Note 1I)		550,962	523,461	424,675	1,499,098	245,910
Accounts payable and accrued liabilities	1,041,717	243,122	32,715	383,494	1,701,048	2,834,211
Claims payable (Note 1E)	125,730				125,730	64,788
Total current liabilities	1,167,447	794,084	556,176	808,169	3,325,876	3,144,909
Noncurrent Liabilities						
Unearned revenues (Note 6)	1,552,702				1,552,702	818,815
Due to LTF Operating (Note 4)	10,198,420				10,198,420	7,909,098
Net pension liability (Note 8)	1,075,263				1,075,263	886,251
Net OPEB liability (Note 10)	813,894				813,894	
Total noncurrent liabilities	13,640,279				13,640,279	9,614,164
Total Liabilities	14,807,726	794,084	556,176	808,169	16,966,155	12,759,073
DEFERRED INFLOWS OF RESOURCES						
Pension related (Note 8)	60,124				60,124	79,607
OPEB related (Note 10)	34,867				34,867	
Total Deferred Inflows of Resources	94,991				94,991	79,607
NET POSITION						
Net investment in capital assets (Note 7)	62,655,480	6,221			62,661,701	51,240,131
Unrestricted (Note 7)	(1,135,765)		(2,930)		(1,138,695)	101,457
Total Net Position	\$61,519,715	\$6,221	(\$2,930)		\$61,523,006	\$51,341,588

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, 2018
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018				2017	
	Fixed Route Program	Paratransit Program	WHEELS on Demand	Rail Planning	Totals	Totals
PROGRAM OPERATING REVENUES						
Fare revenues	\$1,513,946	\$168,648			\$1,682,594	\$1,613,542
Special contract revenue	627,523	48,536			676,059	487,099
Advertising and ticket concessions	76,764			\$57,821	134,585	220,205
Total program operating revenues	<u>2,218,233</u>	<u>217,184</u>		<u>57,821</u>	<u>2,493,238</u>	<u>2,320,846</u>
PROGRAM OPERATING EXPENSES						
Board of Directors	10,836	1,260	\$126	378	12,600	14,000
Executive Director	258,207	3,122	520,253	813,733	1,595,315	389,213
Administrative services	1,347,963	15,393	31,367	40,905	1,435,628	1,774,636
Planning	552,471	230,416	24,771	5,726	813,384	635,082
Marketing	568,330		11,775	1,666	581,771	749,882
Operations	10,916,947	1,610,061	51,982	3,582	12,582,572	12,150,840
Depreciation (Note 3)	4,378,064	3,110			4,381,174	2,899,301
Total program operating expenses	<u>18,032,818</u>	<u>1,863,362</u>	<u>640,274</u>	<u>865,990</u>	<u>21,402,444</u>	<u>18,612,954</u>
PROGRAM OPERATING LOSSES	<u>(15,814,585)</u>	<u>(1,646,178)</u>	<u>(640,274)</u>	<u>(808,169)</u>	<u>(18,909,206)</u>	<u>(16,292,108)</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest and miscellaneous	79,987				79,987	198,014
Local Transportation Funds 4.0	7,144,536	592,801	78,716	300,000	8,116,053	7,596,488
Local Transportation Funds 4.5		134,616			134,616	123,457
State Transit Assistance	1,357,662	56,773			1,414,435	1,697,975
Local Operating Assistance			514,070		514,070	137,500
FTA operating assistance	540,583	349,586			890,169	941,565
Local Sales Tax/Measure B and BB funds:						
Measure B grants	992,556	186,747			1,179,303	1,092,152
Measure BB grants	729,401	322,544	47,488		1,099,433	966,495
Bridge tolls	580,836			508,169	1,089,005	671,636
Gain (Loss) on disposal of equipment	(33,816)				(33,816)	54,800
Net non-operating revenues, before capital contributions (grants)	<u>11,391,745</u>	<u>1,643,067</u>	<u>640,274</u>	<u>808,169</u>	<u>14,483,255</u>	<u>13,480,082</u>
Capital contributions (grants) (Note 6):						
FTA capital assistance	11,728,464				11,728,464	14,004,539
Local Transportation Funds 4.0	3,079,866				3,079,866	3,087,479
State Bond Fund - Prop 1B	132,519				132,519	862,449
Low Carbon Transit Operations Program	256,773				256,773	
Tri-Valley Transportation Council	92,399				92,399	
Bridge tolls	535,578				535,578	519,943
Proceeds from Bus Sales	10,960				10,960	13,312
Total capital contributions (grants)	<u>15,836,559</u>				<u>15,836,559</u>	<u>18,487,722</u>
Net non-operating revenues and contributions	<u>27,228,304</u>	<u>1,643,067</u>	<u>640,274</u>	<u>808,169</u>	<u>30,319,814</u>	<u>31,967,804</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>11,413,719</u>	<u>(3,111)</u>			<u>11,410,608</u>	<u>15,675,696</u>
Transfers in						(2,930)
Transfers out						2,930
Change in net position	<u>11,413,719</u>	<u>(3,111)</u>			<u>11,410,608</u>	<u>15,675,696</u>
NET POSITION,						
Beginning of Year, as restated (Note 1J)	<u>50,105,996</u>	<u>9,332</u>	<u>(2,930)</u>		<u>50,112,398</u>	<u>35,665,892</u>
End of Year	<u>\$61,519,715</u>	<u>\$6,221</u>	<u>(\$2,930)</u>		<u>\$61,523,006</u>	<u>\$51,341,588</u>

See accompanying notes to basic financial statements

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018				2017	
	Fixed Route Program	Paratransit Program	WHEELS on Demand	Rail Planning	Totals	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$1,506,753	\$217,184	(\$549,941)	(\$659,548)	\$514,448	\$2,543,214
Payments to vendors	(13,134,250)	(1,744,211)	(589,537)	(405,836)	(15,873,834)	(10,987,443)
Payments to and on behalf of employees	(1,666,762)	(142,437)	(23,415)	(90,460)	(1,923,074)	(2,058,714)
Net cash provided (used) by operating activities	(13,294,259)	(1,669,464)	(1,162,893)	(1,155,844)	(17,282,460)	(10,502,943)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments	79,987				79,987	198,014
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Local Transportation Funds 4.0	9,433,858	592,801	78,716	300,000	10,405,375	9,639,036
Local Transportation Funds 4.5		134,616			134,616	123,457
State Transit Assistance	1,357,662	56,773			1,414,435	1,697,975
TFCAs						137,500
FTA operating assistance	540,583	(6,911)			533,672	968,296
Local sales tax/Measure B and BB funds	1,721,957	509,291	47,488		2,278,736	2,058,647
Bridge tolls	580,836			508,169	1,089,005	671,636
Transfers received from other funds						2,930
Transfers paid to other funds						(2,930)
Interfund payments	(1,499,098)	(168,068)	(842)	(77,000)	(1,745,008)	(467,941)
Interfund receipts	245,910	550,962	523,461	424,675	1,745,008	467,941
Net cash provided by noncapital and financing activities	12,381,708	1,669,464	648,823	1,155,844	15,855,839	15,296,547
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(15,802,744)				(15,802,744)	(18,473,541)
Proceeds from sale of capital asset	(22,856)				(22,856)	54,800
Capital grants received:						
FTA capital assistance	13,266,574				13,266,574	12,222,515
Local Transportation Funds 4.0	3,933,790		514,070		4,447,860	2,016,259
Tri-Valley Transportation Council	92,399				92,399	
State Bond Fund - Prop 1B	733,887				733,887	(864,252)
Bridge Tolls	537,157				537,157	533,384
Net cash provided (used) by capital and related financing activities	2,738,206		514,070		3,252,276	(4,510,835)
NET CASH FLOWS	1,905,642				1,905,642	480,783
CASH AND INVESTMENTS AT BEGINNING OF YEAR	6,891,286				6,891,286	6,410,503
CASH AND INVESTMENTS AT END OF YEAR	\$8,796,928				\$8,796,928	\$6,891,286
Reconciliation of operating loss to net cash provided (used) by operating activities:						
Operating losses	(\$15,814,585)	(\$1,646,178)	(\$640,274)	(\$808,169)	(\$18,909,206)	(\$16,292,108)
Adjustments to reconcile operating loss to net cash provided by operating activities:						
Depreciation	4,378,064	3,110			4,381,174	2,899,301
Increase (decrease) in:						
Accounts receivable	(625,788)		(549,941)	(717,369)	(1,893,098)	242,463
Prepaid expenses	38,865	(1,695)			37,170	35,963
Net OPEB liability, related deferred inflows, net of deferred outflows	1,099,311				1,099,311	(105,889)
Accounts payable	(2,345,376)	(24,701)	27,322	369,694	(1,973,061)	2,847,758
Claims payable	60,942				60,942	(110,336)
Net pension liability, related deferred inflows, net of deferred outflows	(85,692)				(85,692)	(20,095)
Net cash provided (used) by operating activities	(\$13,294,259)	(\$1,669,464)	(\$1,162,893)	(\$1,155,844)	(\$17,282,460)	(\$10,502,943)

See accompanying notes to basic financial statements

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LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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).

WHEELS on Demand - A partnership with the private sector to provide service to low density suburban areas where previously existing Wheels bus service could not be supported. WHEELS on Demand is an extension of a traditional user-side subsidy program which is used by transit systems nationwide to partner with taxi-cab companies, and extends the partnership to Transportation Network Companies (TNC) such as Uber and Lyft.

Rail Planning - The Tri-Valley-San Joaquin Valley Regional Rail Working Group is made up of representatives from the local cities of Alameda County and San Joaquin County. The purpose of this group is to move the BART to Livermore project forward and find a better connection between BART and ACE. The Joint Powers Agency still has not been formally established, however, the Authority is acting as the administrative resource for this group.

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.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

WHEELS on Demand - A partnership with the private sector to provide service to low density suburban areas where previously existing Wheels bus service could not be supported.

Rail Planning - The Tri-Valley-San Joaquin Valley Regional Rail Working Group is made up of representatives from the local cities of Alameda County and San Joaquin County. The purpose of this group is to move the BART to Livermore project forward and find a better connection between BART and ACE.

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.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

	2017-2018	2017-2016
Balance, July 1	\$64,788	\$175,124
Net change in liability for claims and claims paid but not reported	668,622	362,411
Claims paid	(607,680)	(472,747)
Balance, June 30	\$125,730	\$64,788

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

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 addition 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 position 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.

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.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Position Restatement

Management adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Authority to make prior period adjustments. As a result, the beginning net position was restated and reduced by \$1,229,190. For further information, see Note 10.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 consist of the following:

Local Agency Investment Fund	\$5,659,779
Cash in bank	3,136,409
Cash on hand	740
Total Cash and Investments	\$8,796,928

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.

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, 2018, these investments matured in an average of 193 days.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (continued)

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 exempt from the fair value leveling, and is valued at amortized cost. The value is 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.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 3 - CAPITAL ASSETS (Continued)

Capital assets comprised the following at June 30, 2018:

	Balance June 30, 2017	Additions / Adjustments	Retirements	Transfers	Balance June 30, 2018
Fixed Route:					
Capital assets not being depreciated:					
Land	\$3,973,472				\$3,973,472
Construction in Progress	25,355,557	\$555,697		(\$2,430,135)	23,481,119
Total capital assets not being depreciated	<u>29,329,029</u>	<u>555,697</u>		<u>(2,430,135)</u>	<u>27,454,591</u>
Capital assets being depreciated:					
Vehicles	40,237,299	14,621,778	(\$9,045)	1,597,696	56,447,728
Facilities	8,576,024	146,356	(44,884)	168,812	8,846,308
Equipment	5,285,647	512,727	(90,045)	663,627	6,371,956
Total capital assets being depreciated	<u>54,098,970</u>	<u>15,280,861</u>	<u>(143,974)</u>	<u>2,430,135</u>	<u>71,665,992</u>
Less accumulated depreciation for:					
Vehicles	(21,202,354)	(3,769,258)	9,043		(24,962,569)
Facilities	(6,034,333)	(339,407)	17,071		(6,356,669)
Equipment	(4,960,512)	(269,398)	84,045		(5,145,865)
Total accumulated depreciation	<u>(32,197,199)</u>	<u>(4,378,063)</u>	<u>110,159</u>		<u>(36,465,103)</u>
Total depreciable assets	<u>21,901,771</u>	<u>10,902,798</u>	<u>(33,815)</u>	<u>2,430,135</u>	<u>35,200,889</u>
Capital assets, net	<u>\$51,230,800</u>	<u>\$11,458,495</u>	<u>(\$33,815)</u>		<u>\$62,655,480</u>
Paratransit					
Capital assets being depreciated:					
Facilities	\$40,452				\$40,452
Total capital assets being depreciated	<u>40,452</u>				<u>40,452</u>
Less accumulated depreciation for:					
Facilities	(31,121)	(\$3,110)			(34,231)
Total accumulated depreciation	<u>(31,121)</u>	<u>(3,110)</u>			<u>(34,231)</u>
Total depreciable assets	<u>9,331</u>	<u>(3,110)</u>			<u>6,221</u>
Capital assets, net	<u>\$9,331</u>	<u>(\$3,110)</u>			<u>\$6,221</u>
Total					
Land and Construction in Progress	\$29,329,029	\$555,697		(\$2,430,135)	\$27,454,591
Depreciable Assets:					
Cost	54,139,422	15,280,861	(\$143,974)	2,430,135	71,706,444
Less accumulated depreciation for:	(32,228,320)	(4,381,173)	110,159		(36,499,334)
Net	<u>21,911,102</u>	<u>\$10,899,688</u>	<u>(\$33,815)</u>	<u>\$2,430,135</u>	<u>35,207,110</u>
All Capital Assets, net	<u>\$51,240,131</u>				<u>\$62,661,701</u>

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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, 2018, 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, 2018 follows:

Source	Unallocated Balances
Transportation Development Act Funds	\$9,778,570
State Transit Assistance Funds:	
Revenue Based Funds	248,445
Population Based Funds	<u>1,070,082</u>
Total Unallocated Local Transportation Funds	<u><u>\$11,097,097</u></u>

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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, 2018 are calculated as follows:

Fiscal 2018 unexpended funds:	<u>Fixed Route Program</u>	<u>Paratransit Program</u>	<u>Total</u>
Operating loss	(\$15,814,585)	(\$1,646,178)	(\$17,460,763)
Add back:			
Depreciation	4,378,064	3,110	4,381,174
Interest and miscellaneous	79,987		79,987
Proceeds from Bus Sales	<u>10,960</u>		<u>10,960</u>
Net operating expenses reimbursable by grants	<u>(11,345,574)</u>	<u>(1,643,068)</u>	<u>(12,988,642)</u>
Grants:			
County Measure B Grants	992,556	186,747	1,179,303
County Measure BB Grants	729,401	322,544	1,051,945
Local Operating Assistance			
Bridge Tolls	580,836		580,836
Federal Transportation Administration: Operating Assistance	<u>540,583</u>	<u>349,586</u>	<u>890,169</u>
Net Operating Expenses reimbursable by LTF and STA funds	(8,502,198)	(784,191)	(9,286,389)
State Transit Assistance Receipts	1,357,662	56,773	1,414,435
LTF Receipts:			
Article 4.0	9,433,858	592,802	10,026,660
Article 4.5		<u>134,616</u>	<u>134,616</u>
Due to LTF - fiscal year 2017/2018	2,289,322		2,289,322
Due to LTF - beginning of year	<u>7,909,098</u>		<u>7,909,098</u>
Due to LTF - end of year	<u><u>\$10,198,420</u></u>		<u><u>\$10,198,420</u></u>

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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:

	2018	2017
Operating expenses excluding depreciation	\$1,860,252	\$1,856,394
Less Contributed Services		
Less:		
Actual passenger fare revenues	(168,648)	(180,063)
Special contract revenue	(48,536)	(43,960)
Article 4.0 LTF revenues	(592,802)	(660,819)
Maximum eligibility	\$1,050,266	\$971,552

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

Maximum eligibility	\$1,050,266	\$971,552
Less:		
Article 4.5 LTF revenues	(134,616)	(123,457)
State Transit Assistance	(56,773)	(34,738)
FTA operating assistance	(349,586)	(350,443)
Local sales tax/Measure B funds	(186,747)	(173,813)
Local sales tax/Measure BB funds	(322,544)	(289,101)
Deficit (surplus) of Measure B revenue over maximum eligibility	\$0	\$0

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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.

	2018	2017
Maximum eligibility computed above	\$1,050,266	\$971,552
Total TDA Article 4.5 revenues	\$134,616	\$123,457
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 \$1,414,435 during fiscal year 2017-2018, 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, 2018 are calculated as follows:

	Fixed Route Program	Paratransit Program	Total
Capital costs:			
Capital asset additions	(\$15,836,559)		(\$15,836,559)
Funding sources:			
FTA Capital Assistance	\$11,728,464		\$11,728,464
Local Transportation Fund 4.0	3,079,866		3,079,866
State Bond Fund - Prop 1B	132,519		132,519
Low Carbon Transit Operations Program	256,773		256,773
Tri-Valley Transportation Council	92,399		92,399
Bridge tolls	535,578		535,578
Proceeds from bus sales	10,960		10,960
Total Funding Sources	\$15,836,559		\$15,836,559

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 6 - CAPITAL GRANTS (Continued)

B. Prop 1B (PTMISEA) Projects

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

A summary of the Authority's outstanding Proposition 1B revenue and expenditures for the year ended June 30, 2018 are as follows:

Project Name	Grant Amount	Interest Earned		Expended in Fiscal		Unearned Revenue
		Prior Years	2017-18	Prior Years	2017-18	
PTMISEA PROGRAMS:						
FY 16 Upgrades and Improvements	\$125,625	\$1,176	\$1,739			\$128,540
FY 15 Upgrades and Improvements	361,514	3,880	2,700	\$157,466	\$13,848	196,780
FY 14 Bus Stop Repair	240,910	2,330	922	125,428	118,671	63
OTHER PROGRAMS:						
FY 17 California Transit Security Grant Program (CTSGP)	29,357		265			29,622
FY 16 California Transit Security Grant Program (CTSGP)	36,696		503			37,199
FY 15 California Transit Security Grant Program (CTSGP)	36,696	372	203	22,279		14,992
Total Prop 1B	\$830,798	\$7,758	\$6,332	\$305,173	\$132,519	407,196
Other Unearned Revenues						1,145,506
Total Unearned Revenues						\$1,552,702

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.

Unrestricted - This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. The Authority first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 7 – NET POSITION (Continued)

A. *Net Position Restatements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB), which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Authority to make prior period adjustments. As a result, the beginning net positions of the Fixed Route Enterprise Fund was restated and reduced by \$1,229,190. See Note 10 for further information.

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.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 8 – PENSION PLANS (Continued)

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Miscellaneous Tier I</u>	<u>Miscellaneous PEPR</u>
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% - 2.418%	1.0% - 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.921%	6.533%

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, 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$128,881

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

As of June 30, 2018, the Authority reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$1,075,263

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.02551%
Proportion - June 30, 2017	<u>0.02728%</u>
Change - Increase (Decrease)	0.00177%

For the year ended June 30, 2018, the Authority recognized pension expense of \$85,692. At June 30, 2018, 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	\$128,881	
Differences between actual and expected experience	1,713	(\$24,548)
Changes in assumptions	212,598	(16,211)
Net differences between projected and actual earnings on plan investments	48,081	
Change in proportion and differences between actual contributions and proportionate share of contributions	<u>244,793</u>	<u>(19,365)</u>
Total	<u><u>\$636,066</u></u>	<u><u>(\$60,124)</u></u>

\$128,881 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, 2019. 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	Annual Amortization
2019	\$196,020
2020	194,765
2021	84,823
2022	(28,547)
Thereafter	-

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 8 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
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, 2016 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.

Changes of Assumptions

In 2017, the accounting discount rate reduced from 7.65% to 7.15%.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% 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 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

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

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 8 – PENSION PLANS (Continued)

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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	<u>100%</u>		

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

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

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	Current	1% Increase
	6.15%	7.15%	8.15%
Miscellaneous	\$1,776,045	\$1,075,263	\$494,862

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

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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 – POST-EMPLOYMENT HEALTH CARE BENEFITS

- A. *Plan Description:*** The only OPEB provided by LAVTA, hereafter referred to as “the Authority” is medical plan coverage, which is administered as an Agent-Multiple Employer Benefit Plan.

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement. The employee must begin his or her pension benefit within 120 days of terminating employment with the Authority to be eligible to continue medical coverage through the Authority and be entitled to the employer subsidy described below. Employees covered by the PEMHCA Vesting Resolution who work at least 20 years for the Authority are not subject to the retirement to begin their pension benefit within 120 days of leaving the Authority's employment.

If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

- B. *Benefits Provided*** – The Authority has been under contract with CalPERS for medical plan coverage since 1986. As a condition of participation in this program, the Authority is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. A surviving spouse and other eligible dependents may also continue coverage and receive the Authority's contribution.

The Authority currently maintains two different types of resolutions with CalPERS which apply to those eligible for coverage (as described above), based on the employee's hire date:

- Retirees hired before July 1, 2010 are covered by an equal contribution resolution. This resolution provides for the Authority to pay the full cost of the selected medical premium for the retiree and any enrolled dependents, up to a maximum of 100% of the employee's medical premiums plus 100% of dependent premiums up to the highest cost HMO plan.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

• Retirees hired on or after July 1, 2010 are covered by a PEMHCA 'vesting' resolution. Under this resolution, the Authority's contribution toward retiree medical benefits is determined as the lesser of (a) and (b):

(a) 100% of the medical plan premiums for the retiree and his or her eligible dependents and (b) The maximum monthly benefits (caps) under the vesting formula multiplied by the vesting percent. Cap amounts vary by coverage level and are adjusted annually. In 2018, the caps are \$725 (single), \$1,377 (two-party) and \$1,766 (family). The vesting percent is based on years of CalPERS membership (but at least 5 years with the Authority).

Employees covered by the PEMHCA vesting resolution who qualify for and take an approved disability retirement are automatically 100% vested, regardless of their years of service. Unlike retirees hired prior to July 2010, those covered by the vesting resolution who complete at least 20 years of service with the Authority are entitled to these subsidized medical benefits even if they terminate employment prior to reaching the earliest retirement age permitted under their retirement program.

Spousal Coverage: Active employees: 85% of future retirees are assumed to be married and 80% of those married are assumed to elect coverage for their spouse in retirement. Surviving spouses are assumed to continue coverage until their death. Husbands are assumed to be 3 years older than their wives.

Retired participants: Existing elections for spouse coverage are assumed to be continued until the spouse's death. Actual spouse ages are used, where known; if not, husbands are assumed to be 3 years older than their wives.

Years of Qualifying Service	Vested Percent	Years of Qualifying Service	Vested Percent
Less than 10	0%	15	75%
10	50%	16	80%
11	55%	17	85%
12	60%	18	90%
13	65%	19	95%
14	70%	20 or more	100%

For the year ended June 30, 2018, the Authority's contributions to the Plan were \$280,660.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2018

Active employees	14
Inactive employees or beneficiaries currently receiving benefit payments	12
Inactive employees entitled to but not yet receiving benefit payments	-
Total	26

B. Net OPEB Liability

Actuarial Methods and Assumptions – The Authority’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward using standard update procedures to determine the net OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal Cost, level percent of pay
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.25%
Investment Rate of Return	7.00%
Mortality Rate	MacLeod Watts Scale 2017 applied generationally
Asset Valuation Method	Market Value of Assets
Healthcare Trend Rate	7.5% decreasing to 5%

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

The underlying mortality assumptions were based on the Macleod Watts Scale 2017, which is a two-dimensional mortality improvement scale reflecting both age and year of mortality improvement. The underlying base scale is Scale MP-2016 which has two segments - (1) historical improvement rates for the period 1951-2012 and (2) an estimate of future mortality improvement for years 2013-2015 using the Scale MP-2016 methodology but utilizing the assumptions obtained from Scale MP-2015. The Macleod Watts scale then transitions from the 2015 improvement rate to the Social Security Administration (SSA) Intermediate Scale linearly over the 10 year period 2016-2025. After this transition period, the Macleod Watts Scale uses the constant mortality improvement rate from the SSA Intermediate Scale from 2025-2039. The SSA's Intermediate Scale has a final step down in 2040 which is reflected in the Macleod Watts scale for years 2040 and thereafter. Over the ages 100 to 115, the SSA improvement rate is graded to zero.

Scale MP-2016 can be found at the SOA website and the projection scales used in the 2016 Social.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Inflation Assets	5.0%	1.25%
Global Debt Securities	27.0%	2.25%
Global Equities	57.0%	5.25%
REIT's	8.0%	4.50%
Commodities	3.0%	1.25%
Total	100.0%	

Discount Rate – The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that Authority's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

C. Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2016	\$2,130,621	\$1,188,134	\$942,487
Changes Recognized for the Measurement Period:			
Service Cost	94,769		94,769
Interest on the total OPEB liability	151,446		151,446
Changes in benefit terms			
Differences between expected and actual experience			
Changes of assumptions			
Contributions from the employer		244,507	(244,507)
Net investment income		130,957	(130,957)
Administrative expenses		(656)	656
Benefit payments	(123,756)	(123,756)	
Net changes	122,459	251,052	(128,593)
Balance at 6/30/2017 (Measurement Date)	\$2,253,080	\$1,439,186	\$813,894

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report. The benefit payments and refunds include implied subsidy benefit payments in the amount of \$14,131.

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate:

Net OPEB Liability/(Asset)		
Discount Rate -1%	Discount Rate	Discount Rate +1%
(6%)	(7%)	(8%)
\$1,134,269	\$813,894	\$553,296

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

NOTE 10 POST-EMPLOYMENT HEALTHCARE BENEFITS (Continued)

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Net OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease (6.5%)	Trend Rates (7.5%)	1% Increase (8.5%)
\$523,895	\$813,894	\$1,200,029

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$280,660. At June 30, 2018, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$280,660	
Differences between actual and expected experience		
Changes of assumptions		
Net differences between projected and actual earnings on plan investments		\$34,867
Total	\$280,660	\$34,867

\$280,660 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$8,717)
2020	(8,717)
2021	(8,717)
2022	(8,716)
2023	
Thereafter	

F. Payable to the OPEB Plan

At June 30, 2018, the Authority reported a payable of \$118,596 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2018

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, 2018. MV Transportation Inc. is paid monthly based on a fixed fee plus a fee calculated at a fixed rate of \$43.02 per vehicle multiplied by the number of service hours. Expenses incurred under this contract amounted to \$9,021,116 for the fiscal year ended June 30, 2018.

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. In June of 2017, the Authority exercised the option to extend the contract through June 30, 2018. 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 \$1,605,012 for the fiscal year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Agent Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.0099%	0.0231%	0.0255%	0.0273%
Plan's proportion share of the Net Pension Liability (Asset)	\$617,185	\$634,007	\$886,251	\$1,075,263
Plan's Covered Payroll	\$1,065,075	\$1,055,059	\$1,182,687	\$1,280,580
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	57.95%	60.09%	74.94%	83.97%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	79.82%	78.40%	74.06%	73.31%

Notes to Schedule:

* 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, 2018
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

Fiscal Year ended June 30:	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$107,649	\$82,453	\$125,806	\$128,881
Contributions in relation to the actuarially determined contributions	<u>(107,649)</u>	<u>(82,453)</u>	<u>(125,806)</u>	<u>(128,881)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$1,055,059	\$1,182,687	\$1,280,580	\$1,318,639
Contributions as a percentage of covered-employee payroll	10.20%	6.97%	9.82%	9.77%

Notes to Schedule:

	<u>Miscellaneous Plan</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
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, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Measurement Date	<u>6/30/17</u>
Total OPEB Liability	
Service Cost	\$94,769
Interest	151,446
Changes in benefit terms	
Differences between expected and actual experience	
Changes of assumptions	
Benefit payments	(123,756)
Net change in total OPEB liability	<u>122,459</u>
Total OPEB liability - beginning	<u>2,130,621</u>
Total OPEB liability - ending (a)	<u><u>\$2,253,080</u></u>
Plan fiduciary net position	
Contributions - employer	\$244,507
Contributions - employee	
Net investment income	130,957
Administrative expense	(656)
Benefit payments	(123,756)
Net change in plan fiduciary net position	<u>251,052</u>
Plan fiduciary net position - beginning	<u>1,188,134</u>
Plan fiduciary net position - ending (b)	<u><u>\$1,439,186</u></u>
Net OPEB liability - ending (a)-(b)	<u><u>\$813,894</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	63.88%
Covered-employee payroll	<u><u>\$1,299,760</u></u>
Net OPEB liability as a percentage of covered-employee payroll	<u><u>62.62%</u></u>

Notes to schedule:

* Fiscal year 2018 was the first year of implementation.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Other Post-Employment Benefit Plan
As of fiscal year ended June 30, 2018
SCHEDULE OF CONTRIBUTIONS

SCHEDULE OF CONTRIBUTIONS

CALPERS

Last 10 fiscal years*

Fiscal Year Ended June 30,	2018
Actuarially determined contribution	\$162,064
Contributions in relation to the actuarially determined contribution	280,660
Contribution deficiency (excess)	(\$118,596)
Covered-employee payroll	\$1,299,760
Contributions as a percentage of covered-employee payroll	21.59%

Notes to Schedule

Valuation date: 6/30/2017

Methods and assumptions used to determine contribution rates:

Valuation Date	6/30/2017
Actuarial Assumptions:	
Actuarial Cost Method	Entry Age Normal
Discount Rate	7%
Inflation	2.75%
Payroll Growth	3.25%
Investment Rate of Return	7%
Mortality Rate	MacLeod Watts Scale 2017 applied generationally
Healthcare Trend Rate	7.5% decreasing to 5%

Notes to schedule:

* Fiscal year 2018 was the first year of implementation.

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SUPPLEMENTARY INFORMATION

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
SCHEDULE OF OPERATING REVENUES AND EXPENSES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 2018
WITH SUMMARIZED TOTALS FOR THE YEAR OF JUNE 30, 2017

	Fixed Route	Paratransit	WHEELS on Demand	Rail Planning	Totals	
					2018	2017
REVENUES						
Fares	\$1,513,946	\$168,648			\$1,682,594	\$1,613,542
Special contract revenue	627,523	48,536			676,059	487,099
Advertising and concessions	76,764			\$57,821	134,585	220,205
Interest and miscellaneous	79,987				79,987	198,014
Local Transportation Funds 4.0	7,144,536	592,801	\$78,716	300,000	8,116,053	7,596,488
Local Transportation Funds 4.5		134,616			134,616	123,457
State Transit Assistance	1,357,662	56,773			1,414,435	1,697,975
Local operating assistance			514,070		514,070	137,500
FTA operating assistance	540,583	349,586			890,169	941,565
Local sales tax/Measure B funds - allocations	992,556	186,747			1,179,303	1,092,152
Local sales tax/Measure BB funds	729,401	322,544	47,488		1,099,433	966,495
Bridge tolls and concessions	580,836			508,169	1,089,005	671,636
Total Revenues	\$13,643,794	\$1,860,251	\$640,274	\$865,990	\$17,010,309	\$15,746,128
EXPENSES						
Labor	\$1,138,090	\$106,112	\$18,028	\$75,025	\$1,337,255	\$1,443,687
Fringe benefits	528,672	36,325	5,387	15,435	585,819	615,027
Services	825,589	75,437	70,142	765,334	1,736,502	559,468
Purchased transportation	9,021,116	1,631,607	31,639		10,684,362	10,338,359
Fuel, parts, supplies and other operation costs	1,180,957	5,766		3,313	1,190,036	1,734,209
Insurance	608,182	1,523		3,582	613,287	506,108
Administration and legal	352,148	3,482	515,078	3,301	874,009	562,582
Depreciation	4,378,064	3,110			4,381,174	2,899,301
Total Expenses	\$18,032,818	\$1,863,362	\$640,274	\$865,990	\$21,402,444	\$18,658,741

Statistical Section

3

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.

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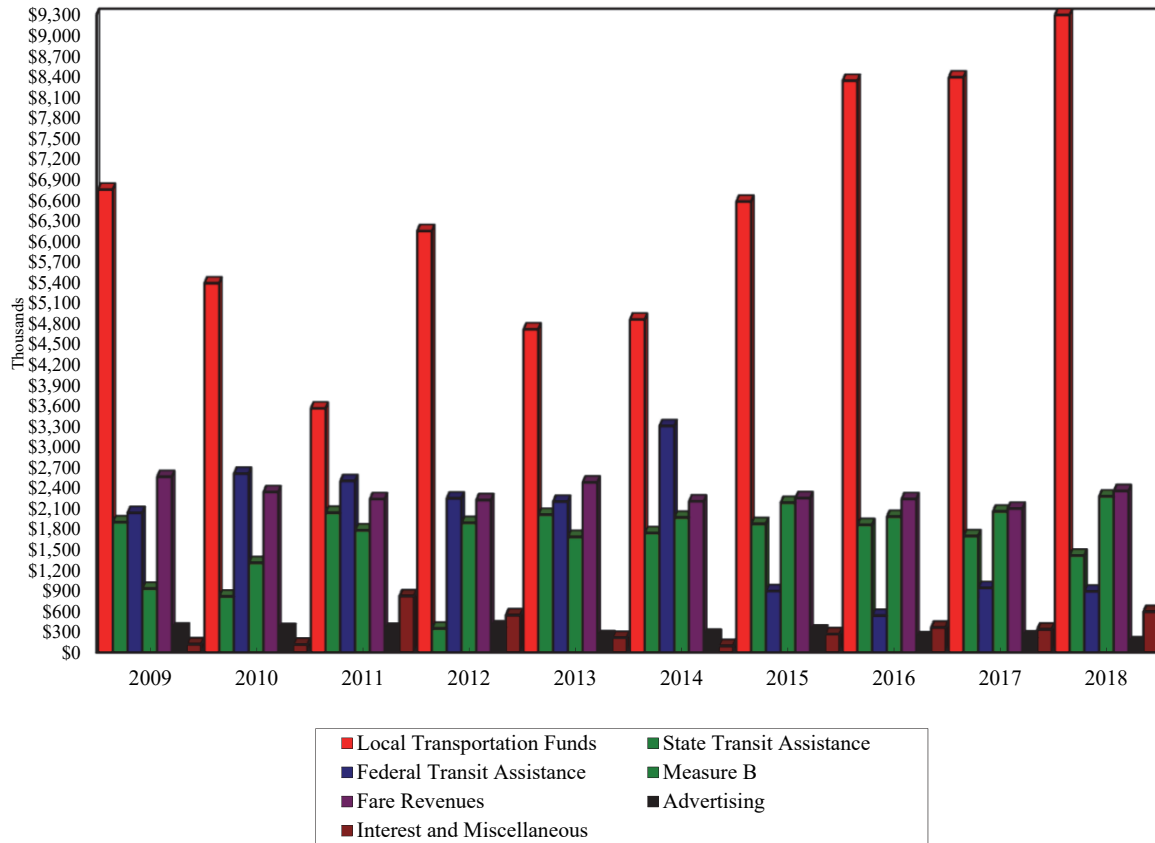
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
Financial Trends
Changes in Net Position and Statement of Net Position
Last Ten Fiscal Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues:			
Fare Revenue & Special Contract Revenue	\$2,563,937	\$2,341,303	\$2,238,915
Advertising & Ticket Concessions	336,458	327,377	332,274
Total Operating Revenues	<u>2,900,395</u>	<u>2,668,680</u>	<u>2,571,189</u>
Operating Expenses:			
Board of Directors	24,922	10,670	12,100
Executive Director	236,926	238,527	223,373
Administrative Services	1,573,255	1,382,776	1,389,776
Planning	490,632	489,442	474,195
Marketing	399,096	432,056	465,480
Operations	11,922,206	10,356,462	10,719,199
Depreciation	3,090,734	3,499,951	3,542,369
Total Operating Expenses	<u>17,737,771</u>	<u>16,409,884</u>	<u>16,826,492</u>
Operating loss	<u>(14,837,376)</u>	<u>(13,741,204)</u>	<u>(14,255,303)</u>
Nonoperating Revenues (Expenses):			
Local Transportation Funds	6,754,812	5,390,330	2,876,917
State Transit Assistance	1,901,482	817,396	2,040,616
Local Operating Assistance		85,883	758,038
Federal Transit Assistance	2,038,314	2,611,235	2,503,783
Measures B & BB	931,851	1,307,095	1,782,765
Bridge tolls	101,500		686,001
Interest and Miscellaneous	18,683	29,314	64,814
Gain (loss) on disposal of capital assets	(177,346)	(248,369)	296,844
Total Nonoperating Revenues	<u>11,569,296</u>	<u>9,992,884</u>	<u>11,009,778</u>
Add Capital contributions (grants)			
STP/CMAQ Grant			
FTA Capital Assistance	698,618	10,009,505	6,429,256
Local Transportation Funds 4.0	522,895	2,030,479	498,903
AVL State			
Bridge Tolls	621,139	74,999	225,322
Local Sales / Measure B	109,200		
State Bond Fund - Prop 1B	812,646	265,557	153,154
Low Carbon Transit Operations Program			
Tri-Valley Transportation Council			
State Transit Assistance			
STIP			
Contractor Contribution			
Proceeds from Bus Sales			
Total Capital Contributions	<u>2,764,498</u>	<u>12,380,540</u>	<u>7,306,635</u>
Change in net position	<u>(503,582)</u>	<u>8,632,220</u>	<u>4,061,110</u>
Net position - beginning of period	<u>27,773,597</u>	<u>27,270,015</u>	<u>35,902,235</u>
Net position - end of period	<u>\$27,270,015</u>	<u>\$35,902,235</u>	<u>\$39,963,345</u>
Statement of Net Position			
Net investment in capital assets	<u>\$27,270,015</u>	<u>\$35,902,235</u>	<u>\$39,963,345</u>

Source: LAVTA's basic financial statements.

2012	2013	2014	2015	2016	2017	2018
\$2,224,902	\$2,482,825	\$2,206,694	\$2,253,853	\$2,239,549	\$2,100,641	\$2,358,653
365,394	222,653	245,295	307,378	207,674	220,205	134,585
2,590,296	2,705,478	2,451,989	2,561,231	2,447,223	2,320,846	2,493,238
13,800	11,900	15,000	13,900	12,400	14,000	12,600
256,528	256,794	301,175	267,874	286,187	389,213	1,595,315
1,433,790	1,451,961	1,487,766	1,463,419	1,626,818	1,774,636	1,435,628
445,676	467,394	484,615	549,575	872,266	635,082	813,384
481,728	297,587	320,775	308,716	380,240	749,882	581,771
11,144,981	11,052,981	11,818,800	11,764,743	12,354,542	12,150,840	12,582,572
3,984,765	3,749,118	3,554,273	3,593,338	2,851,726	2,899,301	4,381,174
17,761,268	17,287,735	17,982,404	17,961,565	18,384,179	18,612,954	21,402,444
(15,170,972)	(14,582,257)	(15,530,415)	(15,400,334)	(15,936,956)	(16,292,108)	(18,909,206)
5,570,918	4,055,154	4,134,353	6,001,207	7,760,657	7,719,945	8,250,669
348,781	2,011,249	1,742,123	1,876,877	1,862,911	1,697,975	1,414,435
540,671	208,538	36,347	176,611	263,750	137,500	514,070
2,250,272	2,201,915	3,306,883	894,942	536,514	941,565	890,169
1,891,459	1,687,287	1,969,687	2,185,850	1,981,247	2,058,647	2,278,736
580,836	663,388	727,831	580,836	580,836	671,636	1,089,005
3,270	5,608	58,918	90,673	99,315	198,014	79,987
(218,247)	(474)	(14,718)	(153,065)		54,800	(33,816)
10,967,960	10,832,665	11,961,424	11,653,931	13,085,230	13,480,082	14,483,255
802,913	3,991,864	403,473	86,710	62,522	14,004,539	11,728,464
281,898	313,069	731,653	213,514	82,892	3,087,479	3,079,866
	70,195	773	37,851	15,020	519,943	535,578
496,713	1,242,373	537,063	111,868	111,765	862,449	132,519
						256,773
						92,399
114,047	9,125					
2,311,645	1,688,355					
104,970						
					13,312	10,960
4,112,186	7,314,981	1,672,962	449,943	272,199	18,487,722	15,836,559
(90,826)	3,565,389	(1,896,029)	(3,296,460)	(2,579,527)	15,675,696	11,410,608
39,963,345	39,872,519	43,437,908	41,541,879	38,245,419	35,665,892	50,112,398
\$39,872,519	\$43,437,908	\$41,541,879	\$38,245,419	\$35,665,892	\$51,341,588	\$61,523,006
\$39,872,519	\$43,437,908	\$41,541,879	\$38,245,419	\$35,665,892	\$51,341,588	\$61,523,006

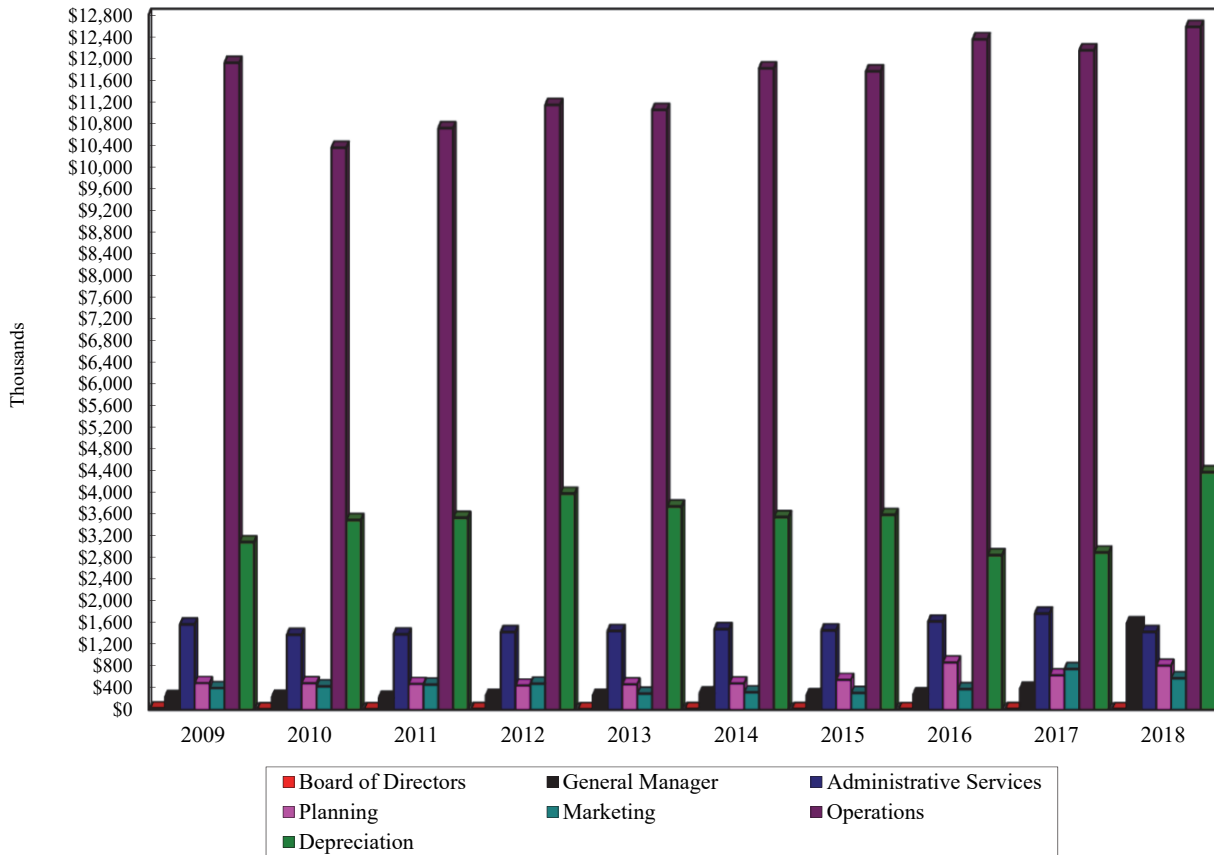
**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
OPERATING REVENUES BY SOURCE
LAST TEN FISCAL YEARS**



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
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	8,341,493	1,862,911	536,514	1,981,247	2,239,549	207,674	363,065	15,532,453
2017	8,391,581	1,697,975	941,565	2,058,647	2,100,641	220,205	335,514	15,746,128
2018	9,339,674	1,414,435	890,169	2,278,736	2,358,653	134,585	594,057	17,010,309

Source: Livermore Amador Valley Transit Authority Audit Reports

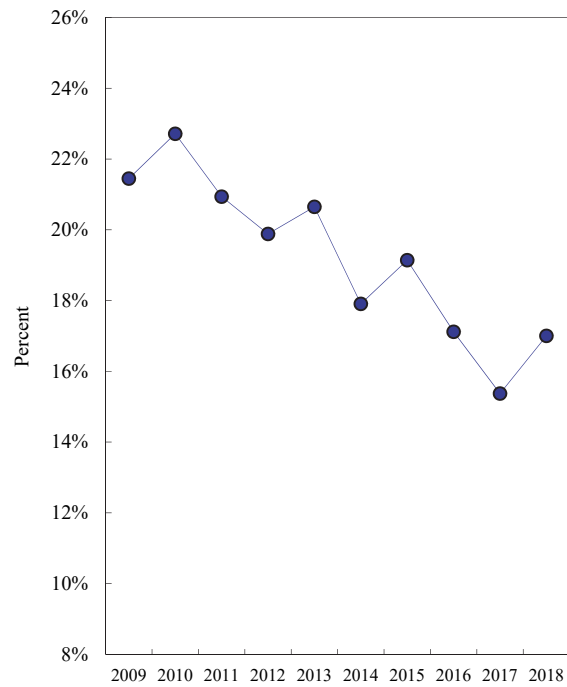
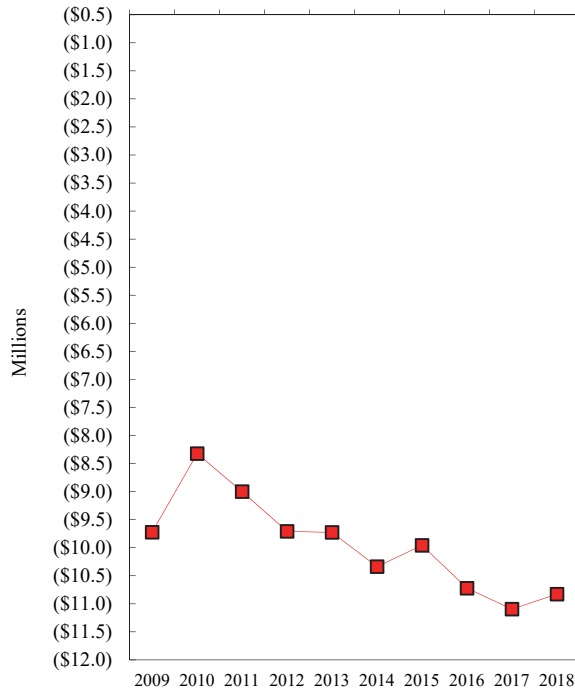
**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
OPERATING EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS**



Fiscal Year	Board of Directors	Executive Director	Administrative Services	Planning	Marketing	Operations	Depreciation	Total
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
2017	14,000	389,213	1,774,636	635,082	749,882	12,150,840	2,899,301	18,612,954
2018	12,600	1,595,315	1,435,628	813,384	581,771	12,582,572	4,381,174	21,402,444

Source: Livermore Amador Valley Transit Authority Audit Reports

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



—■— Operating Losses

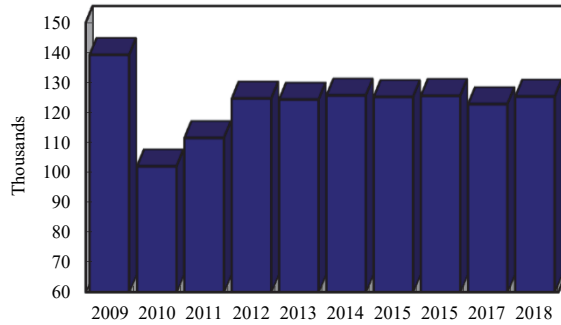
—●— Farebox Recovery Ratio

Fiscal Year	Operating Expenses Excluding Insurance and Depreciation	Fare & Auxiliary Transportation Revenues	Operating Loss Before Insurance and Depreciation	Farebox Recovery Ratio
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%
2017	13,110,490	2,015,491	(11,094,999)	15.4%
2018	13,046,572	2,218,233	(10,828,339)	17.0%

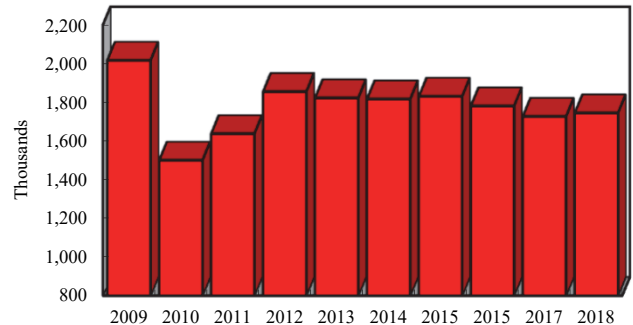
Source: Livermore Amador Valley Transit Authority Audit Reports

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

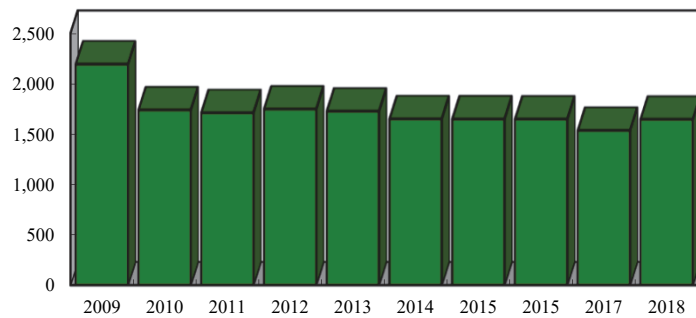
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
FIXED ROUTE OPERATING STATISTICS
LAST TEN FISCAL YEARS



■ Revenue Hours



■ Revenue Miles

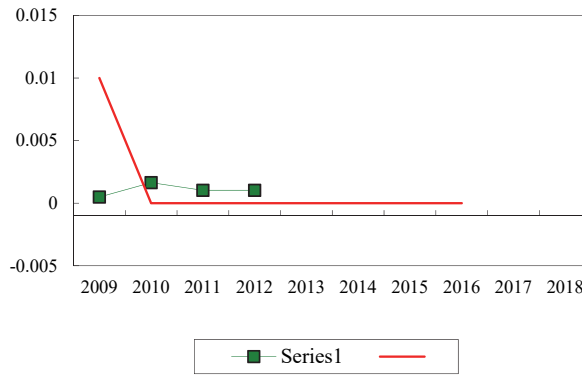
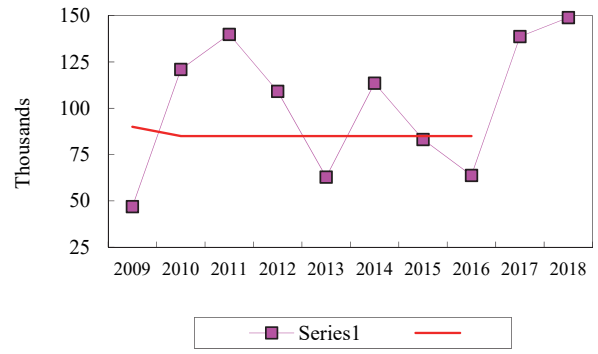
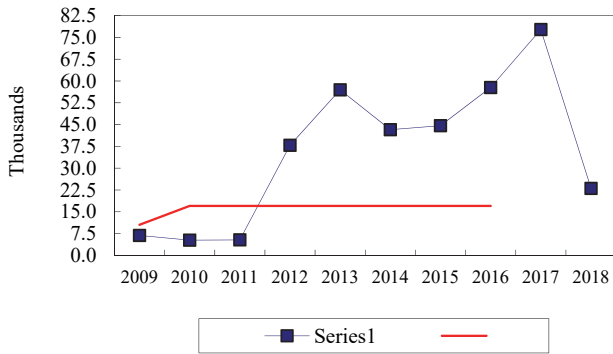


■ Passengers

<u>Fiscal Year</u>	<u>Revenue Hours</u>	<u>Revenue Miles</u>	<u>Passengers</u>
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
2015	125,604	1,780,948	1,648,811
2017	122,837	1,726,897	1,536,084
2018	125,334	1,744,881	1,647,003

Source: National Transit Database Report (Formerly Section 15)

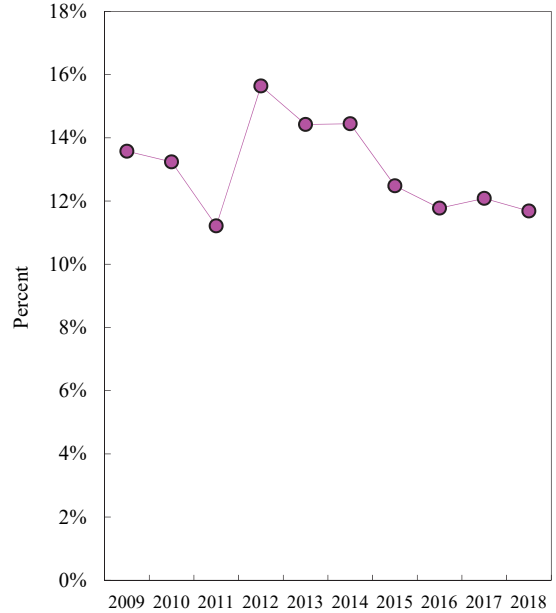
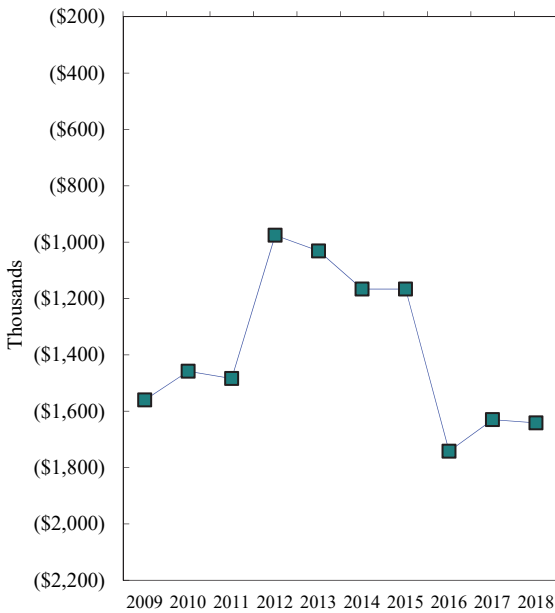
**LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
FIXED ROUTE SAFETY STATISTICS
LAST TEN FISCAL YEARS**



Fiscal Year	Miles Between Road Calls	Goal	Miles Between Accidents	Goal	Injuries/Boardings	Goal
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
2017	77,720	17,000-25,000	138,737	100,000	9/1,536,084	N/A
2018	23,052	17,000-25,000	148,993	100,000	9/1,647,003	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



■ Operating Losses

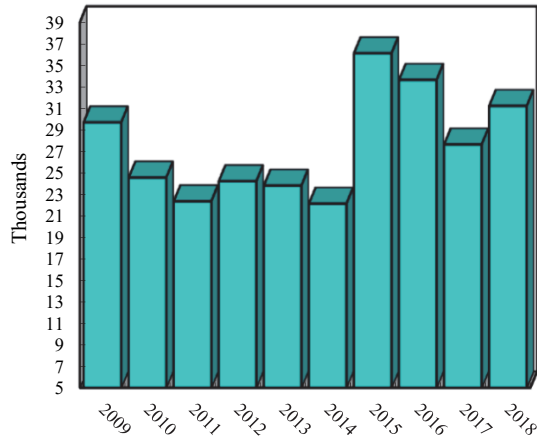
● Farebox Recovery Ratio

Fiscal Year	Operating Expenses Excluding Insurance and Depreciation	Fare & Auxiliary Transportation Revenues	Operating Loss Before Insurance and Depreciation	Farebox Recovery Ratio
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	(1,166,645)	12.5%
2016	1,974,712	232,526	(1,742,186)	11.8%
2017	1,854,081	224,023	(1,630,058)	12.1%
2018	1,858,729	217,184	(1,641,545)	11.7%

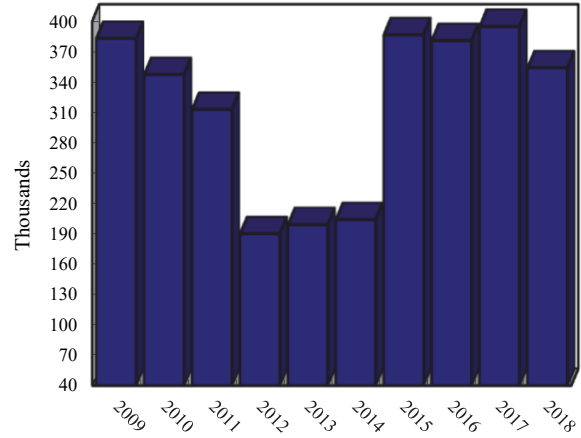
Source: Livermore Amador Valley Transit Authority

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

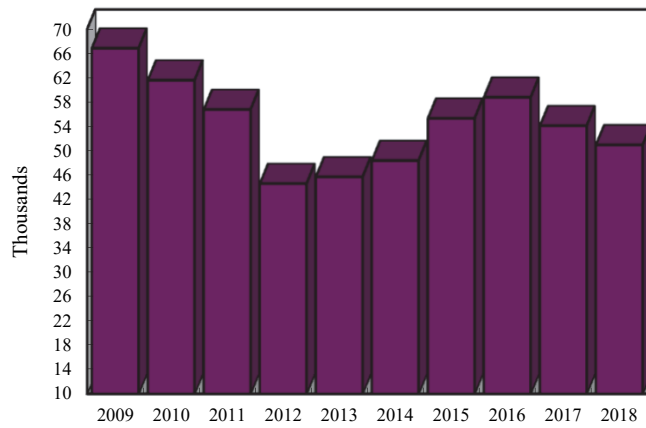
LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
 PARATRANSIT OPERATING STATISTICS
 LAST TEN FISCAL YEARS



■ Revenue Hours



■ Revenue Miles

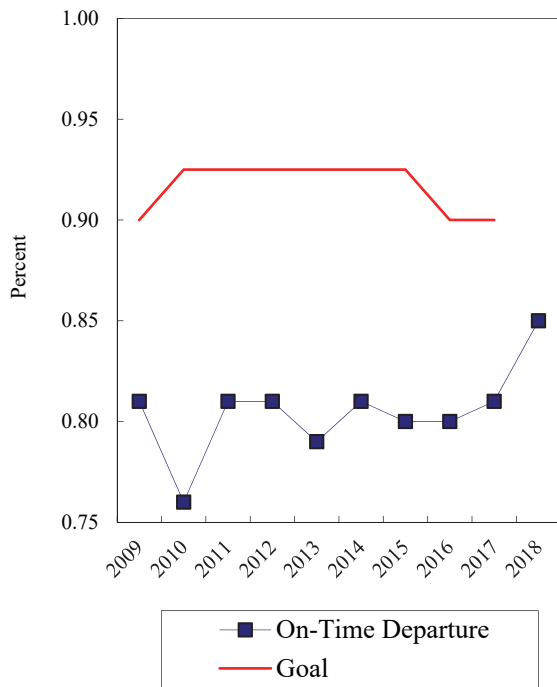


■ Passengers

Fiscal Year	Revenue Hours	Revenue Miles	Passengers
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
2017	27,631	394,847	54,121
2018	31,219	353,966	50,967

Source: National Transit Database Report (Formerly Section 15)

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

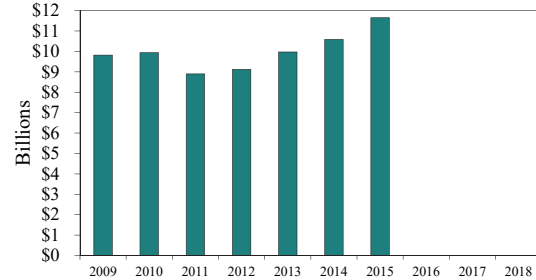
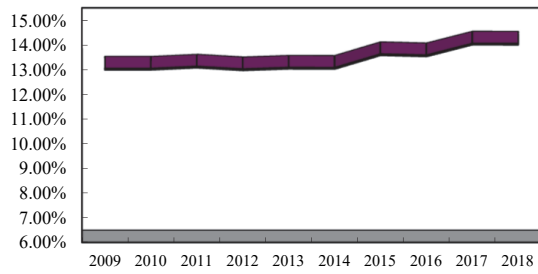


Fiscal Year	Fixed Route		Paratransit	
	On-Time Departure	Goal	On-Time Departure	Goal
2009	0.81	0.90-0.95	0.94	0.91-0.93
2010	0.76	0.87-0.83	0.90	0.91-0.93
2011	0.81	0.87-0.83	0.97	0.91-0.93
2012	0.81	0.90	0.93	≤ 0.95
2013	0.79	0.90	0.94	≤ 0.95
2014	0.81	0.90	0.95	≤ 0.95
2015	0.80	0.90	0.97	≤ 0.95
2016	0.80	0.85	0.97	0.95
2017	0.81	0.85	0.97	0.95
2018	0.85	0.85	0.90	0.95

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

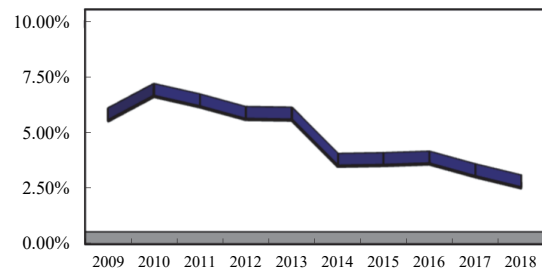
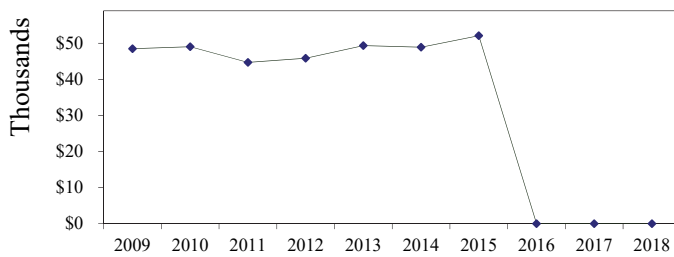
Note: Charts include all available data

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



■ Authority Population

■ Total Personal Income



◆ Per Capita Personal Income

■ Unemployment Rate %

Fiscal Year	Authority Population	Total Personal Income	Per Capita Personal Income	Unemployment Rate (%)	Alameda County Population	Authority Population % of County
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	11,648,959,062	52,098	3.53%	1,594,569	13.59%
2016	220,469	info not avail	info not avail	3.60%	1,627,865	13.54%
2017	230,968	info not avail	info not avail	3.03%	1,647,704	14.02%
2018	233,061	info not avail	info not avail	2.53%	1,663,190	14.01%

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

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY
 PRINCIPAL EMPLOYERS
 Current Fiscal Year

<u>Employer</u>	<u>2017-18</u>		<u>Percentage of Total Authority Population</u>
	<u>Number of Employees</u>	<u>Rank</u>	
Lawrence Livermore National Lab	6,000	1	2.6%
Kaiser Permanente	4,692	2	2.0%
Workday Incorporated	3,135	3	1.3%
Stanford/Valleycare Medical Center	2,824	4	1.2%
U.S. Government & Federal Correction Institute	2,100	5	0.9%
Safeway Incorporated	1,668	6	0.7%
Oracle	1,580	7	0.7%
Pleasanton Unified School District	1,373	8	0.6%
Livermore Valley Joint Unified School District	1,250	9	0.5%
Dublin Unified School District	915	10	0.4%
Subtotal	<u>25,537</u>		<u>11.0%</u>
Total Authority Population	<u>233,061</u>		

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

NOTE: Data from nine years prior is not available.

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

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

	Adopted for Fiscal Year Ended June 30,				
	2014	2015	2016	2017	2018
Function					
Executive Director	1.00	1.00	1.00	1.00	1.00
Administrative Services	8.00	8.00	8.00	6.00	7.00
Planning	4.00	4.00	4.00	5.00	4.00
Marketing	2.00	2.00	2.00	2.00	2.00
Operations	0.00	0.00	0.00	0.00	0.00
Total	15.00	15.00	15.00	14.00	14.00

Source: Livermore/Amador Valley Transit Authority

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

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Function/Program					
Fixed Route					
Total Vehicles	74	66	64	64	60
Average Fleet Age	10.40	10.27	11.20	8.09	3.93
Vehicles Operated In Maximum Service	51	49	49	47	48
Paratransit					
Total Vehicles	7	4	0	0	0
Average Fleet Age	7.00	9.00	0.00	0.00	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.

Compliance Section

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2018**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.500 & 20.507	Federal Transit Cluster - Capital Investment Grants & Formula Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated November 1, 2018 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
Federal Transit Cluster			
US Department of Transportation Direct Programs			
Formula Grants			
Paratransit Operating Assistance	20.507		\$349,165
Preventative Maintenance	20.507		437,906
Bus Purchase	20.507		10,091,781
Farebox Replacement	20.507		297,112
TPI Marketing	20.507		102,677
Dublin Blvd. Transit Performance	20.507		285,756
Bus and Bus Facilities Formula Program	20.526		766,349
Subtotal Department of Transportation Direct Programs			<u>12,330,746</u>
US Department of Transportation Pass-Through Programs From:			
State of California Department of Transportation			
Federal Transit - Capital Investment Grants			
BRT	20.500	CA-0308-00	32,166
Subtotal Department of Transportation Pass-Through Programs			<u>32,166</u>
Total Federal Transit Cluster			
			<u>12,362,912</u>
US Department of Transportation Pass-Through Programs From:			
Metropolitan Transportation Commission			
Highway Planning and Construction			
TPI - Dublin Blvd.	20.205	STPL-6084 (193)	85,000
State of California Department of Transportation			
Transit Services Program			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	CA-16-X0064	421
Subtotal Department of Transportation Pass-Through Programs			<u>85,421</u>
Total US Department of Transportation			
			<u>12,448,333</u>
Total Expenditures of Federal Awards			
			<u>\$12,448,333</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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LIVERMORE AMADOR VALLEY TRANSIT AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2018**

NOTE 1-REPORTING ENTITY

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

NOTE 2-BASIS OF ACCOUNTING

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

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

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

NOTE 4-INDIRECT COST ELECTION

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Livermore Amador Valley Transit Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon November 1, 2018. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Compliance and Other Matters

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

We have also issued a separate Memorandum on Internal Control dated November 1, 2018 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
November 1, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Livermore Amador Valley Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated November 1, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Maze + Associates

Pleasant Hill, California
November 1, 2018

**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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2018. Our opinion included emphasis of matter paragraphs disclosing the effect of the implementation of new accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our procedures included the applicable audit procedures contained in §6667 of Title 21 of California Code of Regulations and tests of compliance with the applicable provisions of the Transportation Development Act and the allocation instructions and resolutions of the Metropolitan Transportation Commission. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated November 1, 2018 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
November 1, 2018

**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, 2018 and have issued our report thereon dated November 1, 2018.

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.

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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*.

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Maze + Associates

Pleasant Hill, California
November 1, 2018