ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PARCEL TAX FISCAL OVERSIGHT COMMITTEE
AGENDA

Special Meeting of the Parcel Tax Fiscal Oversight Committee

AC Transit General Offices
10th Floor Conference Room
1600 Franklin Street
Oakland, CA 94612

Tuesday, December 3, 2013, at 2:00 p.m.

MEMBERS OF THE OVERSIGHT COMMITTEE

JANET ABELSON
ROBERT APODACA
ELOISE BODINE
MARK CHEKAL-BAIN
BEVERLY JOHNSON
MARIA VIRAMONTES
MATT WILLIAMS

DISTRICT OFFICERS

DAVID J. ARMIJO, GENERAL MANAGER
DAVID A. WOLF, GENERAL COUNSEL
LINDA A. NEMEROFF, DISTRICT SECRETARY
LEWIS CLINTON, CHIEF FINANCIAL OFFICER

MEETING PROCEDURES

Public Comment: Members of the public wishing to present comments should complete a Speaker's Form and submit it to the District Secretary. For subjects not listed on this agenda, the public will be invited to speak under the "PUBLIC COMMENTS" section of the agenda. For specific agenda item(s), speakers will be invited to address the Committee) at the time the item is being considered. All speakers are allowed two (2) minutes to present comments. Individuals wishing to present more detailed information are encouraged to submit comments in writing. Written comments are included in the record for meeting(s), and as such, are available for public inspection and may be posted to the District's website.

Electronic Devices: All electronic devices (cell phones, pagers and similar-sounding devices) shall be placed on mute, vibrate or silent mode during Board and Committee meetings pursuant to District Ordinance No. 12.

Order of Agenda Items: The Committee may discuss any item listed on this agenda and in any order.

AVAILABILITY OF AGENDA RELATED MATERIALS

Written agenda related materials for all open session regular meetings are available to the public 72 hours prior to the meeting or at the time the materials are distributed to a majority of the Committee. Written materials presented at a meeting by staff or a member of the Committee will be available to the public at that time, or after the meeting if supplied by an outside party. Agenda related materials are available on the District's website or by contacting the District Secretary's Office.

ACCESSIBLE PUBLIC MEETINGS

Meetings of the Parcel Tax Fiscal Oversight Committee are accessible to individuals in wheelchairs. Written materials in appropriate alternative formats, disability-related modification/accommodation as well as sign language and foreign language interpreters must be made 72 hours in advance of the meeting or hearing to help ensure availability. Please direct requests for disability related modification or accommodation and/or interpreter services to Linda A. Nemeroff, District Secretary, 1600 Franklin Street, Oakland, California, 94612 or call (510) 891-7201.

AC Transit's General Offices are generally served by bus lines 1, 11, 12, 51A, 72, 72M. The nearest accessible bus service is provided at the intersection of Broadway and 17th Street in Oakland. The nearest accessible BART station is the 19th Street Station in Oakland.

District Ordinance No. 13 prohibits bringing non-service animals to District facilities unless specifically authorized by federal or state law.

To accommodate individuals with severe allergies and environmental illnesses, meeting participants should refrain from wearing scented products to the meeting.

PARCEL TAX FISCAL OVERSIGHT COMMITTEE Tuesday, December 3, 2013, at 2:00 p.m.		Staff Contact or Presenter
1.	**ROLL CALL**	
2.	**SELECTION OF CHAIRPERSON** The Chair shall serve at the pleasure of the Committee and shall be selected from the majority of the Committee members present.	
3.	**PUBLIC COMMENT** Any person may directly address the Committee at this time on any items of interest to the public that is within the subject matter and jurisdiction of the Committee. Speakers wishing to address a specific agenda item will be invited to address the Committee at the time the item is being considered. Two (2) minutes are allowed for each item.	
4.	**DISCUSSION/ACTION ITEMS:**	
4A.	Consider approving the minutes of the District Parcel Tax Fiscal Oversight Committee meeting of December 5, 2012.	Linda Nemeroff 891-7284
4B.	Consider review and approval of the Measure V V Financial Statement and the adoption of **Resolution No. 13-1** determining that the Measure V V funds collected during the 2012-13 Fiscal Year have been appropriated and expended in Special Transit Service District One for operation and maintenance activities (CFO Memo No. 13-01).	Lewis Clinton 891-4752
5.	**COMMITTEE/STAFF COMMENTS**	
6.	**ADJOURNMENT**	

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PARCEL TAX FISCAL OVERSIGHT COMMITTEE
MINUTES

Special Meeting of the Parcel Tax Fiscal Oversight Committee

AC Transit General Offices
10th Floor Conference Room
1600 Franklin Street
Oakland, CA 94612

Wednesday, December 5, 2012, at 2:00 p.m.

MEMBERS OF THE OVERSIGHT COMMITTEE

JANET ABELSON
ROBERT APODACA
ELOISE BODINE
MARK CHEKAL-BAIN
BEVERLY JOHNSON
MARIA VIRAMONTES
MATT WILLIAMS

DISTRICT OFFICERS

DAVID ARMIJO, GENERAL MANAGER
KENNETH C. SCHEIDIG, INTERIM GENERAL COUNSEL
LINDA A. NEMEROFF, DISTRICT SECRETARY
LEWIS CLINTON, CHIEF FINANCIAL OFFICER

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT PARCEL TAX FISCAL OVERSIGHT COMMITTEE Wednesday, December 5, 2012, at 2:00 p.m.		ACTION SUMMARY
	The Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee held a special meeting on Wednesday, December 5, 2012. The meeting was called to order at 2:03 p.m. by Committee Member Eloise Bodine.	
1.	**ROLL CALL** Members Present: Janet Abelson, Robert Apodaca, Eloise Bodine, Mark Chekal-Bain (arrived at 2:05 p.m.), Maria Viramontes, Matt Williams – 6 Members Absent: Beverly Johnson	
2.	**OATH OF OFFICE** Administration of the Oath of Office to newly appointed members. District Secretary Linda Nemeroff administered the Oath of Office to newly appointed members Matt Williams, Mark Chekal-Bain and Robert Apodaca.	**OATHS ADMINISTERED**
3.	**SELECTION OF CHAIRPERSON** The Chair shall serve at the pleasure of the Committee and shall be selected from the majority of the Committee members present. **MOTION: VIRAMONTES/BODINE** to select Janet Abelson to serve as Chair of the Committee. The motion carried by the following vote: AYES:5: Viramontes, Bodine, Apodaca, Williams, Abelson, ABSENT:2: Chekal-Bain, Johnson	
4.	**PUBLIC COMMENT** There was no public comment offered.	
5.	**DISCUSSION/ACTION ITEMS:**	
5A.	**Consider approving the minutes of the District Parcel Tax Oversight Committee meeting of December 6, 2011.** Member Williams pointed out that the minutes indicated that staff was to provide at all subsequent meetings copies of the annual district audit, the ballot measure language and the resolution establishing the committee and appointing its membership, noting that the latter two documents were not provided. The District Secretary advised that she would gather the information and have copies made for the committee. **MOTION: VIRAMONTES/BODINE** to receive the minutes as presented. The motion carried by the following vote: AYES:3: Viramontes, Bodine, Abelson ABSTAIN:3: Apodaca, Chekal-Bain, Williams	**RECEIVED**

5B.	**Consider review and approval of the Measure VV Financial Statement and the adoption of <u>Resolution No. 12-1</u> determining that the Measure VV funds collected during the 2011-12 fiscal year have been appropriated and expended in Special Transit Service District One for operation and maintenance activities (CFO Memo No. 12-01).**	**APPROVED AS PRESENTED**

[Copies of Resolution Nos. 08-044 and 08-064 and the Special District Two Audit (including allocation methodology) were provided at the meeting for the Committee's information.]

Chief Financial Officer Lewis Clinton presented the staff report, noting that the District received $29.3 million in Measure VV revenue during FY 2011-12 He introduced external auditors Tim Krisch and David Alvey of Maze and Associates who were present to address questions. Mr. Krisch advised the document provided by his firm was not an audit, but the agreed upon procedures for the review of Measure VV funds, which tested service hours, service miles and maintenance expenses as they relate to Measure VV. He confirmed there were no irregularities between the authorization of the tax and the division between the two service districts.

Discussion ensued regarding the issue of supplanting and whether it could be proven that Special District Two had not benefited from the payment of a parcel tax in Special District One. While the committee didn't dispute that Measure VV funds had been spent as required in Special District One, it sought assurance that other funding sources weren't allocated in excess to District Two.

Member Williams read from Richard Winnie's impartial analysis of Measure VV: "community oversight committee will report to and advise the District about the expenditure of the proceeds of the special tax." [A copy of the impartial analysis document is incorporated into the file by reference] In his opinion, he felt this gave the Committee the authority to advise the Board of Directors that there was a concern about supplanting. Member Abelson commented that the Committee had an obligation to review the issue and render an opinion on it, especially if the District wanted to extend the parcel tax in the future.

Members Viramontes and Chekal-Bain offered suggestions that could help address the issue; however, Mr. Clinton advised that there were several factors involved in determining how much funding was allocated to Special Districts One Two, including:

- Allocation of Preventive Maintenance funds based on service miles and service hours;
- Negotiated allocation methodology with Special District Two which determines how the two districts share revenues and expenses;
- Revenues that were 100% return to source;
- Proration of operations and maintenance expenses by county and by special transit service district; and the
- Distribution of Transit Development Act (TDA) funds.

Interim General Counsel Ken Scheidig advised that the Committee's role was to determine that Measure VV monies were spent as required for operations and maintenance in Special District One. He added that the issue of what happened with the other funds, if any, freed up by Measure VV was a subsidiary question and not the issue before the Committee. Member Viramontes agreed, but noted that supplanting was a political issue when a tax was approved, and while she was confident that administrative fees and various agreed-upon sources of funding and expenditures were not treated differently between the two districts, there was still a question of whether other revenue sources like TDA were supplanted.

Member Williams pointed out inconsistencies involving various items listed in the report. Mr. Clinton reviewed the information and advised that differences existed because some of the numbers were reported as part of a consolidated financial statement, while others were grouped under a general heading and then broken down into subcategories.

Member Chekal-Bain inquired if any Measure VV funds were used for the former General Manager's home loan or severance package. Mr. Scheidig reported that the loan pre-dated the receipt of Measure VV funds and Mr. Clinton advised that the severance package was not included in the indirect cost rate and was part of the administrative budget.

Member Williams noted that Section 3 of the resolution needed to reflect the name of the Parcel Tax Oversight Committee. He also commented that while it was obvious that Measure VV funds were spent for operations and maintenance, supplanting was still a concern and he wanted more time to consider the information staff provided.

Member Viramontes commented that she supported the resolution and felt confident that the funds were spent as intended, noting that a proportional, pre-existing relationship existed between District One and Two; audits of the different types of funding were adequate; the audit found that the application of the funding was appropriate and there were no findings in any audit that said it wasn't done the way that it was; that one District did not get favored over another; and that a Federal body actually determined the cost allocation and audited it every three years.

MOTION: VIRAMONTES/CHEKAL-BAIN to approve of the Measure VV Financial Statement and the adoption of amended Resolution No. 12-1 determining that the Measure VV funds collected during the 2011-12 fiscal year have been appropriated and expended in Special Transit Service District One for operation and maintenance activities. The motion carried by the following vote:

AYES:5: Viramontes, Chekal-Bain, Bodine, Apodaca, Abelson
NOES:1: Williams
ABSENT:1: Johnson

Members of the Committee requested a compilation of the following reference documents:

- Resolution Nos. 08-044 (Ballot Measure Language)
- Resolution No. 08-064 (Establishing and Appointing the Membership of the Committee)
- Map of Special District One and Two
- Special District Two Audit/Allocation Methodology
- Revenue Pie for Special District One and Two (Charts for each with Measure VV and without Measure VV)
- Draft MOU with Fremont and Newark Regarding Expenses and Revenues
- Recap of Frequently Asked Questions/Answers
- Maintain copies of the document "Revenues and Expenses by Service Area Business-Type Activity - Enterprise Fund - Transit Only" from the audit document for each fiscal year.

6. COMMITTEE/STAFF COMMENTS

7. ADJOURNMENT

There being no further business to come before the Committee, the meeting adjourned at 3:24 p.m. The next meeting of the District Parcel Tax Fiscal Oversight Committee is scheduled for December 2013.

Respectfully submitted,

Linda A. Nemeroff
District Secretary

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CFO Report No: 13-01
Meeting Date: December 3, 2013

Alameda-Contra Costa Transit District

STAFF REPORT

TO:	District Parcel Tax Fiscal Oversight Committee AC Transit Board of Directors
FROM:	Lewis G. Clinton, Jr., Chief Financial Officer
SUBJECT:	FY 2012-13 Measure VV Tax Proceeds to AC Transit Special Transit Service District

ACTION ITEM

RECOMMENDED ACTION(S):

Consider Review and Approval of the Measure VV Financial Statement and the Adoption of Resolution 13-01 Determining that the Measure VV Funds Collected during the 2012-13 Fiscal Year have been Appropriated and Expended in Special Transit Service District One for Operation and Maintenance Activities.

EXECUTIVE SUMMARY:

In addition to the reporting requirements set forth in Section 3 of Resolution 08-044 which placed Measure VV on the ballot, an independent fiscal oversight committee of community representatives (the Committee) was established. The Committee shall review the use of the special account funds and provide its own annual written report at the same regular meeting of the Board of Directors that the Chief Financial Officer's report is received by the Board. The Committee's report also shall be referred to the appropriate Board Standing Committee and subsequently considered by the Board along with the recommendations of the Board Standing Committee.

The District received approximately $29.4 million in Measure VV funding for FY 2012-2013, ending June 30, 2013. This revenue is used to cover the cost of operations and maintenance of bus service within Special Transit Service District No. 1 (District 1). In the attached financial statements there is a Schedule of Maintenance Costs Funded by Measure VV Taxes. The schedule shows that total maintenance costs for District 1 was $53.3 million. After taking into account the Federal funding available for this cost, the net cost remaining that can be covered by Measure VV funding was $44.8 million, thus 100% of the Measure VV funding was applied to this cost leaving $15.3 million to be funded by other resources.

BUDGETARY/FISCAL IMPACT:

Audited financial statements for FY ending June 30, 2013 show Measure VV Tax Receipts of $29.4 million to AC Transit, Special Transit Service District No. 1.

BACKGROUND/RATIONALE:

In 2002, voters in Disrict 1 approved Measure AA authorizing a $24 per year parcel tax over 5 years for the purposes of preserving affordable local transportation services that allow seniors and people with disabilities to remain independent, take students to and from school, help East Bay residents commute to work and reduce traffic and air pollution by reducing the number of cars on the road. In 2004, The voters in District 1 approved Measure BB, in replacement of Measure AA, which authorized AC Transit District to levy a special tax in the amount of $48 per year, per parcel for ten years, commencing July 1, 2005. In 2008, the voters in District 1 approved Measure VV, in replacement of Measure BB, which authorized the AC Transit District to levy a special tax in the amount of $96 per year, per parcel for ten years, commencing July 1, 2009. Proceeds from this special tax can only be used to fund the operations and maintenance of bus service within District 1.

Revenue Collection History for each Measure

Measure	FY04/05	FY07/08	FY11/12	FY12/13
AA*	$6.9MM			
BB**		$15.1MM		
VV***			$29.3MM	$29.4

*first year of revenue collection began FY03/04

**first year of revenue collection began FY05/06

***first year of revenue collection began FY09/10

Measure VV proceeds are specifically, designated for the operation and maintenance of bus services by AC Transit in District 1 (District 1). See attachment, Measure VV Schedules with Independent Accountant's Report of Operations and Maintenance Expenses by County and Special Transit Service District, Year Ended June 30, 2013. The revenue provided by Measure VV funds is essential to the sustainability of District operations.

At November 12, 2008 Board of Directors meeting, the Board approved the adoption of Resolution No. 08-064 establishing the Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee, and in accordance with this resolution the Committee is requested to review the use of Measure VV funds as accounted for in the attached report and to provide a written report to the AC Transit Board of Directors at the Regular Board meeting of December 11, 2013. Resolution 13-01 is attached for your consideration.

ADVANTAGES/DISADVANTAGES:

Receipt of the annual Measure VV Audited Financial Statements and the supporting Alameda Contra Costa Transit District Report for FY 2012-2013.

ALTERNATIVE ACTIONS:

This report does not recommend an action

PRIOR RELEVANT BOARD ACTIONS/POLICIES:

Staff Report 12-285, December 12, 2012

ATTACHMENTS

1: Resolution 13-01
2: Measure VV Schedules with Independent Accountant's Report.
3: AC Transit Audited Financial Statements; Year Ended June 30, 2013

Department Head Approval: David Armijo, General Manager
Reviewed by: David A. Wolf, General Counsel
Prepared by: Lewis G. Clinton, Jr., Chief Financial Officer

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT PARCEL TAX FISCAL OVERSIGHT COMMITTEE RESOLUTION NO. 13-01

A RESOLUTION DETERMING THAT THE MEASURE VV FUNDS COLLECTED DURING THE 2012-13 FISCAL YEAR HAVE BEEN APPROPRIATED AND EXPENDED IN SPECIAL TRANSIT SERVICE DISTRICT NO. 1 FOR OPERATION AND MAINTENANCE ACTIVITIES

WHEREAS, on November 5, 2002 the voters in Special Transit Service District No. 1 (District 1) approved Measure AA which imposed a $24 dollar per parcel per year tax on properties in District 1, for five years, for the operation and maintenance of AC Transit's activities in District 1; and

WHEREAS, AC Transit Resolution No. 2098 created the Measure AA Oversight Committee for the purpose of determining that the monies collected under Measure AA were spent in District 1 for the operation and maintenance of AC Transit' services in District 1, as those terms are defined in AC Transit Resolution No. 2067; and

WHEREAS, on November 2, 2004 the voters in District 1 approved Measure BB, increasing the amount of the parcel tax to $48.00 per parcel per year for ten years commencing on July 1, 2005; and

WHEREAS, as a consequence of the passage of Measure BB (with an increased time period and amount) Resolution No. 05-031 was adopted repealing Resolution No. 2098 and establishing the Measure AA/BB Oversight Committee, appointed its membership and amended Resolution No. 2067 and 2135 modifying the reporting period from September 30th to December 31st of each year; and

WHEREAS, on November 4, 2008 the voters in District 1 approved Measure VV, increasing the amount of the parcel tax to $96.00 per parcel per year for ten years, commencing on July 1, 2009; and

WHEREAS, a special meeting of the Alameda Contra-Costa District Parcel Tax Fiscal Oversight Committee (the Committee) was held on December 3, 2013 during which the Committee reviewed information provided by Alameda-Contra Costa Transit District's Chief Financial Officer contained in CFO Memo no. 13-01;

NOW THEREFORE, the Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee does resolve as follows:

Section 1. Determines that the monies collected pursuant to Measure VV during the 2012-13 Fiscal Year were appropriated and expended for the operation and maintenance of AC Transit services in District 1.

Section 2. Authorizes the transmittal of a copy of this resolution to the AC Transit Board of Directors.

Section 3. This resolution shall become effective immediately upon its passage by four affirmative votes of the Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee.

PASSED AND ADOPTED this 3rd day of December 2013.

Chairperson of Alameda-Contra Costa District Parcel Tax Fiscal Oversight Committee

Attest:

Linda A. Nemeroff, District Secretary

I, Linda A. Nemeroff, District Secretary for the Alameda-Contra Costa Transit District, do hereby certify that the foregoing Resolution was passed and adopted at a Special Meeting of the Alameda-Contra Costa Transit District Parcel Tax Fiscal Oversight Committee held on the 3rd day of December, 2013 by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Linda A. Nemeroff, District Secretary

Approved as to Form and Content:

David A. Wolf, General Counsel

Alameda-Contra Costa Transit District

Measure VV Schedules with Independent Accountant's Report

Year Ended June 30, 2013

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MAZE & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Alameda-Contra Costa Transit District
Oakland, California

We have performed the procedures enumerated below, which were agreed to by management of the Alameda-Contra Costa Transit District (the District), solely to assist you in evaluating service hours, service miles, and the allocation of operations and maintenance expenses by county and Special Transit Service District (STSD) set forth in the accompanying schedules for the year ended June 30, 2013. The District's management is responsible for the accompanying schedules. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

GENERAL

a. We read the Measure VV voter approved ballot measure noting that the ten-year parcel tax is levied for the purposes of providing essential transportation services, including the operation and maintenance of bus services within District 1.

b. We traced Measure VV funds received for the year ended June 30, 2013 to the District's general ledger and to the independent confirmations received from the County of Alameda and the County of Contra Costa.

SCHEDULE OF SERVICE HOURS AND SERVICE MILES BY COUNTY AND SPECIAL TRANSIT DISTRICT

a. We tested the schedule for clerical accuracy and noted no clerical errors.

b. We compared service hours for the year ended June 30, 2013 to the worksheets prepared by the District and found them to be in agreement.

c. We compared STSD No. 1 service hours for the year ended June 30, 2013 to the worksheets prepared by the District and noted agreement of service hours by county.

d. We recomputed the net changes in service hours during the year ended June 30, 2013 by county and STSD, and noted no errors.

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

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Findings:

1. Service hours by STSD and by Alameda and Contra Costa counties agree to the District's OTS 370 report for the year ended June 30, 2013.

2. We noted total service hours increased 2,096 or 0.1%.

e. We compared service miles by STSD for the year ended June 30, 2013 to worksheets prepared by the District and found them to be in agreement.

f. We compared STSD No. 1 miles for the year ended June 30, 2013 to the worksheets prepared by the District and noted agreement of service miles by county.

g. We recomputed the net changes in service miles during the year ended June 30, 2013 by county and STSD, and noted no errors.

Findings:

1. Service miles by STSD and by Alameda and Contra Costa counties agreed to the District's OTS 370 report for the year ended June 30, 2013.

2. We noted total service miles increased 72,699 or .3%.

SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSES BY COUNTY AND SPECIAL TRANSIT SERVICE DISTRICT

a. We tested the schedule for mathematical accuracy and noted no mathematical errors.

b. We compared total expenses to the District's unaudited Statement of Revenues, Expenses, and Changes in Fund Net Position for the Transit Fund for the year ended June 30, 2013, and found them to be in agreement.

c. We recomputed the total expenses before allocation by county and STSD, and noted no errors.

d. We compared service hours and service miles by county and STSD to the Schedule of Service Hours and Service Miles by county and STSD and found them to be in agreement.

e. We recomputed the service hours and service miles allocation percentages and noted no errors.

f. We traced expenses, allocated by county and STSD, to a worksheet prepared by the District and found them to be in agreement. We noted that the District computed the allocated expenses for Contra Costa County, STSD No. 1 as follows:

$$\text{Total Expenses before allocation By County and STSD} \times \frac{(\text{Service Hours allocation \%}\ (a) + \text{Service Miles Allocation \%}\ (b))}{2}$$

$$(a)\ \text{Service Hours allocation \%} = \frac{\text{Contra Costa County STSD 1 Service Hours}}{\text{Total STSD 1 Service Hours}}$$

$$(b)\ \text{Service Miles allocation \%} = \frac{\text{Contra Costa County STSD 1 Service Miles}}{\text{Total STSD 1 Service Miles}}$$

g. We recomputed expenses allocated to Contra Costa County, STSD No. 1 using the above calculation and found the recomputed expenses to be in agreement with amounts calculated by the District after giving effect to rounding.

h. We compared the method used to allocate operations and maintenance expenses to Alameda STSD No. 2 to the District's stated allocation methodology and found them to be in agreement.

i. We noted that the District computed the allocated expenses for Alameda County STSD No. 1 as follows:

1.	Total expenses before Allocation by county and STSD	-	Expenses allocated to Contra Costa County STSD No. 1	=	Expenses allocated to Alameda County
2.	Expenses allocated to Alameda County	-	Expenses allocated to Alameda County STSD No. 2	=	Expenses allocated to Alameda County STSD No. 1

j. We noted that the District allocated total operations and maintenance expenses to STSD No. 1 by adding the sum of expenses allocated to Contra Costa County STSD No. 1 plus expenses allocated to Alameda County STSD No. 1.

k. We recomputed the total allocation of operations and maintenance expenses to Alameda County and Contra Costa County STSD No. 1, and found the recomputed expenses to be in agreement with amounts calculated by the District after giving effect to rounding.

l. We verified that the Measure VV proceeds received by the District did not exceed the operations and maintenance expenses allocated to STSD No. 1.

m. We noted that total District operations and maintenance expenses allocated to STSD No. 1 exceeded Measure VV funding of $29,438,709 by $293,674,857 for the year ended June 30, 2013.

SCHEDULE OF MAINTENANCE COSTS FUNDED BY MEASURE VV TAXES

n. We obtained the Schedule of Maintenance Costs Funded by Measure VV Taxes (Schedule) from the District.

o. We agreed Total Modal Expenses reported on the Schedule for function code 041 Vehicle Maintenance and 042 Non-vehicle Maintenance to the District's National Transit Database Report, Operating Expenses (F-30) form with out exception.

p. We recalculated the percentage used to allocate costs reported on the Schedule by using expense allocations reported in the *Special Transit Service Districts No. 1 and No. 2 Schedule with Independent Accountant's Report.*

q. We recalculated the percentage used to allocate Federal Preventative Maintenance Awards reported on the Schedule by using the allocation reported in the *Special Transit Service Districts No. 1 and No. 2 Schedule with Independent Accountant's Report.*

r. We agreed Measure VV Taxes to the *Special Transit Service Districts No. 1 and No. 2 Schedule with Independent Accountant's Report.*

s. We compared Net Costs Remaining after Applying Federal Awards to Measure VV Taxes and noted costs exceed Measure VV taxes.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accompanying schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the District's Board of Directors and management and the Measure VV oversight committee and is not intended to be and should not be used by anyone other than those specified parties.

Maze & Associates

November 14, 2013

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
Schedule of Service Hours and Service Miles
by County and Special Transit Service District
Year Ended June 30, 2013

	For the Year Ended June 30, 2012	Net Increase/ (Decrease)	For the Year Ended June 30, 2013
SERVICE HOURS			
Contra Costa - STSD No. 1	194,776	(259)	194,517
Alameda - STSD No. 1	1,382,971	8,439	1,391,410
Alameda - STSD No. 2	185,255	(6,083)	179,172
Total Alameda service hours	1,568,226	2,356	1,570,582
Total STSD No. 1 service hours	1,577,747	8,180	1,585,927
SERVICE MILES			
Contra Costa - STSD No. 1	2,512,699	(46,579)	2,466,120
Alameda - STSD No. 1	16,206,625	92,853	16,299,478
Alameda - STSD No. 2	2,837,796	26,425	2,864,221
Total Alameda service miles	19,044,421	119,278	19,163,699
Total STSD No. 1 service miles	18,719,324	46,274	18,765,598

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
Schedule of Operations and Maintenance Expenses Funded by Measure VV Taxes
by County and Special Transit Service District
Year Ended June 30, 2013

	Before Allocation By County and STSD	Contra Costa County STSD #1	Alameda County STSD #1	Alameda County STSD #2	Alameda County Total	Total STSD #1
EXPENSES						
Operator wages	$ 58,525,385	$ 6,669,708	$ 45,833,415	$ 6,022,262	$ 51,855,677	$ 52,503,123
Other wages	46,361,370	5,200,634	35,738,117	5,422,619	41,160,736	40,938,751
Fringe benefits	77,837,261	8,809,235	60,535,980	8,492,046	69,028,026	69,345,215
Pension expenses	39,012,835	4,415,279	30,341,256	4,256,300	34,597,556	34,756,535
Services	26,591,836	3,066,830	21,074,883	2,450,123	23,525,006	24,141,713
Fuel and lubricants	18,613,380	2,087,975	14,348,306	2,177,099	16,525,405	16,436,281
Office/printing supplies	460,476	51,654	354,963	53,859	408,822	406,617
Bus parts/maintenance supplies	12,816,652	1,437,721	9,879,842	1,499,089	11,378,931	11,317,563
Utilities	2,413,009	270,682	1,860,091	282,236	2,142,327	2,130,773
Insurance	11,528,753	1,293,250	8,887,052	1,348,451	10,235,503	10,180,302
Other expenses	5,719,114	641,547	4,408,636	668,931	5,077,567	5,050,183
ADA paratransit joint venture	26,754,351	3,054,800	20,992,213	2,707,338	23,699,551	24,047,013
Interest expense	653,394	73,943	508,124	71,327	579,451	582,067
Depreciation	35,420,341	3,973,313	27,304,117	4,142,911	31,447,028	31,277,430
Total expenses	$ 362,708,157	41,046,571	282,066,995	39,594,591	321,661,586	323,113,566
Measure VV revenues		5,050,571	24,388,138	-	24,388,138	29,438,709
Total Measure revenues		5,050,571	24,388,138	-	24,388,138	29,438,709
Net deficit		$ (35,996,000)	$ (257,678,857)	$ (39,594,591)	$ (297,273,448)	$ (293,674,857)
Service Hours		194,517	1,391,410			1,585,927
Allocation Percentage		12.27%	87.73%			100%
Service Miles		2,466,120	16,299,478			18,765,598
Allocation Percentage		13.14%	86.86%			100%
Average		12.70%	87.30%			

See accompanying notes to the schedule.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

Schedule of Maintenance Costs Funded by Measure VV Taxes
by County and Special Transit Service District
Year Ended June 30, 2013

Maintenance Costs and Funding	STSD #1 Amount	STSD #1 %	STSD #2 Amount	STSD #2 %	Total
Total Modal Expenses					
041 Vehicle Maintenance	$46,625,015	89.08%	$5,715,595	10.92%	$52,340,610
042 Non-Vehicle Maintenance	6,650,527	89.08%	815,264	10.92%	7,465,791
Total Maintenance Costs	53,275,542		6,530,859		59,806,401
Funding:					
Federal Preventative Maintenance awards	8,512,334	88.73%	1,081,190	11.27%	9,593,524
Net Costs Remaining After applying Federal Awards	44,763,208		5,449,669		50,212,877
Measure VV Taxes	29,438,709	100.00%			29,438,710
Net costs funded by other resources	$15,324,499		$5,449,669		$20,774,167

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

Notes to the Schedule of Service Hours and
Service Miles by County and Special Transit Service District and
The Schedule of Operations and Maintenance Expenses by
County and Special Transit Service District

Year Ended June 30, 2013

1. General

On November 30, 2004, the voters approved Measure BB, which superseded the Measure AA parcel tax authorizing Alameda and Contra Costa Counties (the Counties) to levy and collect a parcel tax for the purposes of "*preserving affordable local public transportation services that allow seniors and people with disabilities to remain independent, take students to and from school, help East Bay residents commute to work and reduce traffic and air pollution by reducing the number of cars on the road.*" The tax became effective on July 1, 2005 and was to terminate on June 30, 2015. However, on November 4, 2008, the voters approved Measure VV, which supersedes the Measure BB parcel tax. Measure VV became effective July 1, 2009 and increased the annual parcel tax to $96 per parcel. Measure VV is effective though June 30, 2019. Proceeds from this special tax can only be used to fund the operation and maintenance of bus service within Special Transit Service District (STSD) No. 1. The District received approximately $29.3 million in Measure VV taxes during the year ended June 30, 2013.

2. Summary of Significant Accounting Policies and Schedule Presentation

These schedules are prepared under the guidelines of the agreement between the Contra Costa Transportation Authority and the Alameda-Contra Costa Transit District that essentially allocates expenses between STSD No. 1 and STSD No. 2. Consequently, they do not present the financial position, changes in financial position, or cash flows of the Alameda-Contra Costa Transit District.

3. Basis of Accounting

The Schedule of Operations and Maintenance Expenses by County and Special Transit Service District has been prepared in accordance with the accrual basis of accounting.

4. Basis of Expense Allocation

The expenses on the Schedule of Operations and Maintenance Expenses by County and Special Transit Service District are prorated to the Counties and the Special Transit Service Districts. It is based on an equal weighing of the relationship of hours and miles of service between the Counties and the Special Transit Service Districts within the Counties.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

For the Year Ended June 30, 2013

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alameda-Contra Costa Transit District
Oakland, California

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Alameda-Contra Costa Transit District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 did not audit the financial statements of the AC Transit Pension Trust Fund. Those financials statements were audited by other auditors whose report hereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the AC Transit Pension Trust Fund, is based on the report of the other auditor. 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*

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and Pension Trust Fund of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Emphasis of Matters

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

Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* See Note 1 to the financial statements for relevant disclosures.

Statement 65 – *Items Previously Reported as Assets and Liabilities.* See Note 8 to the financial statements for relevant disclosures.

The emphasis of these matters 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 Schedule of Funding Progress 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 District's basic financial statements as a whole. The Other Supplementary Information Section as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Other 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 Other Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2013, on our consideration of the District'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 District's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
September 20, 2013

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Management's Discussion and Analysis

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Management's Discussion & Analysis

This discussion and analysis of the Alameda-Contra Costa Transit District's financial performance provides an overview of the District's activities for Fiscal Year 2013 with comparisons to the prior fiscal year. We encourage readers to consider the information presented here in conjunction with the transmittal letter contained in the Introductory Section and with the statements and related notes contained in the Financial Section.

Financial Highlights

- At June 30, 2013, total assets were $464.7 million, an increase of $48.5 million or 12 percent compared to June 30, 2012. In Fiscal Year 2012, total assets were $416.2 million. Total current assets at June 30, 2013 were $230.5 million, an increase of $36.1 million or 19 percent due largely to the receipt of grant funds restricted for future capital programs, offset by slightly lower receivables. Capital assets, net of accumulated depreciation, increased $12.4 million. Other Non-Current Assets remained constant.
- At June 30, 2013, total liabilities were $145.3 million, a decrease of $3.5 million or 2 percent compared to June 30, 2012. Total current liabilities were $62.9 million, with a $2.3 million decrease, or 3 percent primarily due to lower accrued expenses, and unearned revenue, at year end. Total other non-current liabilities increased by $1.7 million or 3 percent from June 30, 2012 due to increases in OPEB liabilities, that were partially offset by favorable actuarial results related to claims.
- For Fiscal Year 2013, Operating Revenues increased by $2.8 million or 5 percent. There were increases in Passenger fares revenues of $1.2 million, Contract Services of $0.3 million, and in "Other" operating revenues of $1.3 million. In the case of passenger fares, it should be noted that the fares charged to passengers did not change during the period, indicative of a corresponding increase in passengers carried.
- In Fiscal Year 2013, total operating expenses were $336.4 million, a decrease of $13.7 million or 4 percent compared to $350.1 million in Fiscal Year 2012. The 2013 results were mostly due to significant decreases in "Net Expenses of Joint Venture", primarily due to a temporary increase in State Transit Assistance Lifeline funding to this category, and the application of Regional Measure 2 revenue. "Other Expenses" is down as well. Other decreases in overall Salaries & Wages, fringe benefits, depreciation, and other materials and supplies, which were partially offset by increases in the Services, and Insurance, categories also contributed to this result.
- For Fiscal Year 2013, non-operating revenues were $261.8 million, which is an increase of $0.2 million compared to Fiscal Year 2012. While this result provides an impression of overall flat performance in this category, there were however notable changes. Federal funds available for operations continued to decrease, in this fiscal year by $20.3 million when compared to June 30, 2012. This was due to District mandates that emphasized capital investments, rather than operating programs. There were off setting increases in Property Taxes, Sales Tax based subsidies, as well as State, and other Local subsidies. Some of these were due to growth in the sales tax base and improving property values, in certain instances one time funding was also received from these sources.
- At June 30, 2013, net position was $319. million, an increase of $51.5 million or 19 percent from June 30, 2012. The 2013 increase was primarily due to continued State contributions for capital projects, and reduced expenses. At June 30, 2012, net position was valued at $267.5 million*

• Overview of the Financial Statements

The Financial Section of this report presents the District's financial statements as two components: basic financial statements and notes to the financial statements. It also includes other supplemental information in addition to the basic financial statements.

Basic Financial Statements

The *Statement of Net Position* presents information about assets and liabilities with the difference between the two reported as *net position.* The change in net position over time is an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* reports how have changed during the year and presents a comparison between operating revenues and operating expenses. Operating revenues and expenses are related to the District's principal business of providing bus transit services. Operating expenses include the cost of direct services to passengers, administrative expenses, contracted services and depreciation on capital assets. All other revenues and expenses not included in these categories are reported as non-operating.

The *Statement of Cash Flows* reports inflows and outflows of cash and is classified into four major components:

- *Cash flows from operating activities* which includes transactions and events reported as components of operating income in the statement of revenues, expenses and changes in net position.
- *Cash flows from non-capital financing activities* which include operating grant proceeds as well as operating subsidy payments from third parties and other non-operating items.
- *Cash flows from capital and related financing activities* which arise from the borrowing and repayment (principal and interest) of capital-related debt, the acquisition and construction of capital assets and the proceeds of capital grants and District contributions.
- *Cash flows from investing activities* which includes the proceeds from the sale of investments and receipt of interest. Outflows in this category include the purchase of investments.

Notes to the Financial Statements

Various notes provide additional information that is essential to a full understanding of the information provided in the basic financial statements. These are found immediately following the financial statements to which they refer.

Other Information

This report also presents certain required supplementary information in accordance with the requirements of GASB. In addition, supplementary information and associated notes concerning compliance with the District's annual budget appear immediately following the required supplementary information.

Analysis of Basic Financial Statements

Assets:

- At June 30, 2013, total assets were $464.3 million, an increase of $46.8 million or 11 percent compared to June 30, 2012. In Fiscal Year 2012, total assets were $416.2 million. As of June 30, 2013 total current assets are $230.1 million, an increase of $35.7 million or 18 percent, mainly due to the receipt of grant funds, restricted for future capital programs, and an increase in inventory of $1.2 million, offset by a net reduction in receivables of $3.3 million due to timing. As of June 30, 2013 capital assets, net of accumulated depreciation increased by $12.4 million. The net capital assets increase was mainly due to capital asset additions of new Bus fleets, as well as other fixed asset categories.

Alameda-Contra Costa Transit District
Net Assets
(in thousands)
Fiscal Year Ended June 30, 2013

		2013		2012		Change	%
Assets							
Current Assets	$	230,074	$	194,418	$	35,656	18%
Capital Assets		231,768		219,332		12,436	6%
Other Non-Current Assets		2,488		2,488		-	0%
Total Assets	$	**464,330**	$	**416,238**	$	**48,092**	**12%**
Liabilities							
Current Liabilities	$	62,889	$	65,162	$	(2,273)	-3%
Long Term Portion of COPS		27,777		30,616		(2,839)	-9%
Other Non-Current Liabilities		54,652		52,994		1,658	3%
Total Liabilities	$	**145,318**	$	**148,772**	$	**(3,454)**	**-2%**
Net Position							
Invested in Capital Assets, net of related debt	$	202,095	$	187,570	$	14,525	8%
Restricted for Capital Purchases		74,531		46,893		27,638	59%
Restricted for Debt Service		1,605		1,174		431	37%
Unrestricted		40,781		31,829		8,952	28%
Total Net Position	$	**319,012**	$	**267,466**	$	**51,546**	**19%**
Total Liabilities and Net Assets	$	**464,330**	$	**416,238**	$	**48,092**	**12%**

Liabilities:

- At June 30, 2013, total liabilities were $145.3 million, a decrease of $3.5 million or 2 percent when compared to June 30, 2012. This includes a decrease of $2.3 million in current liabilities. The overall decrease in this category included a $4.6 million dollar decrease in accrued expenses, mainly due to timing and fewer obligations, including a $2.0 million decrease in unearned revenue, and a series of smaller reductions, including but not limited to, interest payable, and other accrued liabilities. These reductions were partially offset however, by an increase in current portion of claims liabilities of $2.9 million, and in OPEB liabilities of $1.1 million.

  Other non-current liabilities are $54.7 million, an increase of $1.7 million over FY-11/12. This included increases in long term OPEB obligations of $2.8 million due to higher actuarial results and a funding level during the period that had not yet caught up with those changes, and smaller increases in paid leave, offset by a reduction in long term claims liabilities of $1.7 million due to some shifts from long term to short term classifications. Total Liabilities at June 30, 2012 were $148.8 million.

Net Position:

- At June 30, 2013, net position was $319 million, an increase of $51.5 million or 19 percent from June 30, 2012. The 2013 increase was primarily due to continued state contributions for capital projects. At June 30, 2012, net position was valued at $267.5 million;* which was after the implementation of GASB 65 which resulted in a restatement that lowered prior fiscal year net position by $1.3 million, from $268,761 to $267,466.

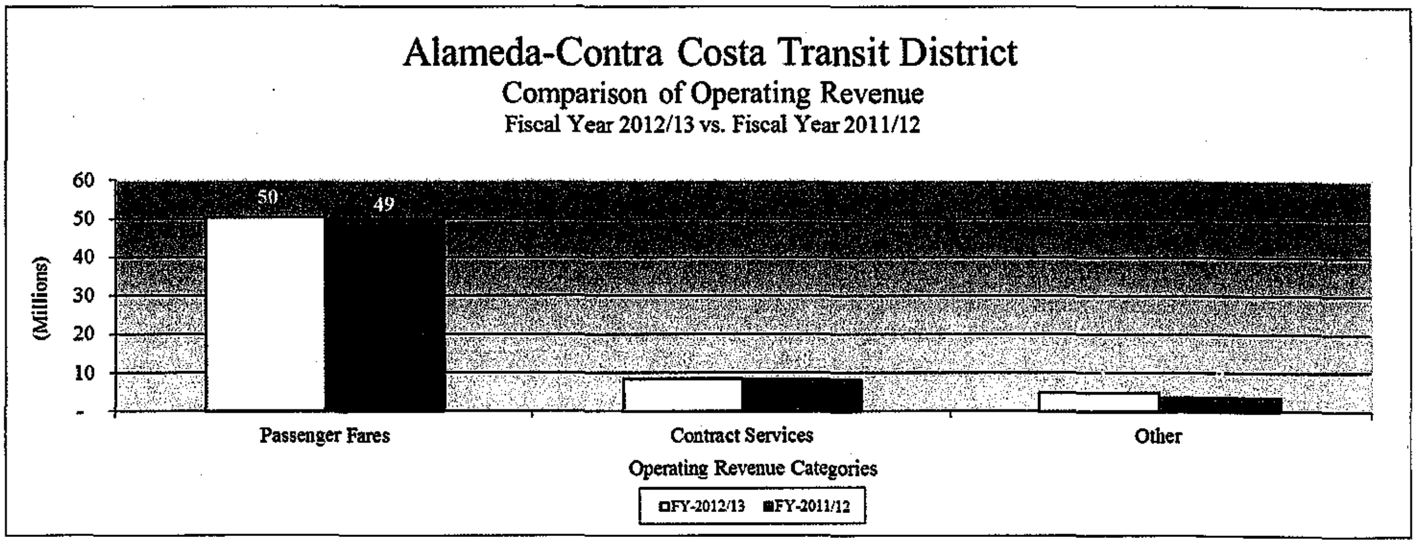
Revenue and Expense:

Alameda-Contra Costa Transit District
Statement of Revenues, Expenses and Changes in Net Assets
(in thousands)
For the Years Ended June 30, 2013 and June 30, 2012

	2013	2012	Changes	%
Revenues				
Operating Revenues				
Passenger Fares	$ 50,357	$ 49,125	$ 1,232	3%
Contract Services	8,330	8,021	309	4%
Other	4,720	3,408	1,312	38%
Total Operating Revenues	**$ 63,407**	**$ 60,554**	**$ 2,853**	**5%**
Non-Operating Revenues				
Property Taxes	108,799	100,150	8,649	9%
Local Sales Taxes	58,683	54,609	4,074	7%
Local Funds	66,745	60,901	5,844	10%
Federal	12,070	32,458	(20,388)	-63%
State	15,953	13,193	2,760	21%
Gain (Loss) on sale of capital assets	(1,175)	(293)	(882)	301%
Interest Income	764	585	179	31%
Total Non-Operating Revenues	**261,839**	**261,603**	**236**	**0%**
Total Revenues	**325,246**	**322,157**	**3,089**	**1%**
Expenses				
Operating Expenses				
Operator Wages	58,526	58,384	142	0%
Other Wages	46,363	48,328	(1,965)	-4%
Fringe Benefits	116,849	117,593	(744)	-1%
Depreciation	35,420	37,899	(2,479)	-7%
Fuel & Oil	18,613	18,593	20	0%
Other Materials & Supplies	12,393	13,913	(1,520)	-11%
Services	26,593	20,547	6,046	29%
Insurance	11,529	9,262	2,267	24%
Net Expenses of Joint Venture	2,249	11,396	(9,147)	-80%
Other	7,842	14,164	(6,322)	-45%
Total Operating Expenses	**336,377**	**350,079**	**(13,702)**	**-4%**
Non-Operating Expenses				
Interest Expense	1,338	1,720	(382)	-22%
Total Expenses	**337,715**	**351,799**	**(14,084)**	**-4%**
Loss before Contributed Capital	**(12,469)**	**(29,642)**	**17,173**	**-58%**
Capital Contributions	64,015	47,878	16,137	34%
Change in Net Position	**51,546**	**18,236**	33,310	183%
Net Position, beginning of year*	267,466	250,525	16,941	7%
* Restatements due to implementation of GASB 65:		(1,295)		
Net Position, end of year	**$ 319,012**	**$ 267,466**	**$ 51,546**	**19%**

Operating Revenue:

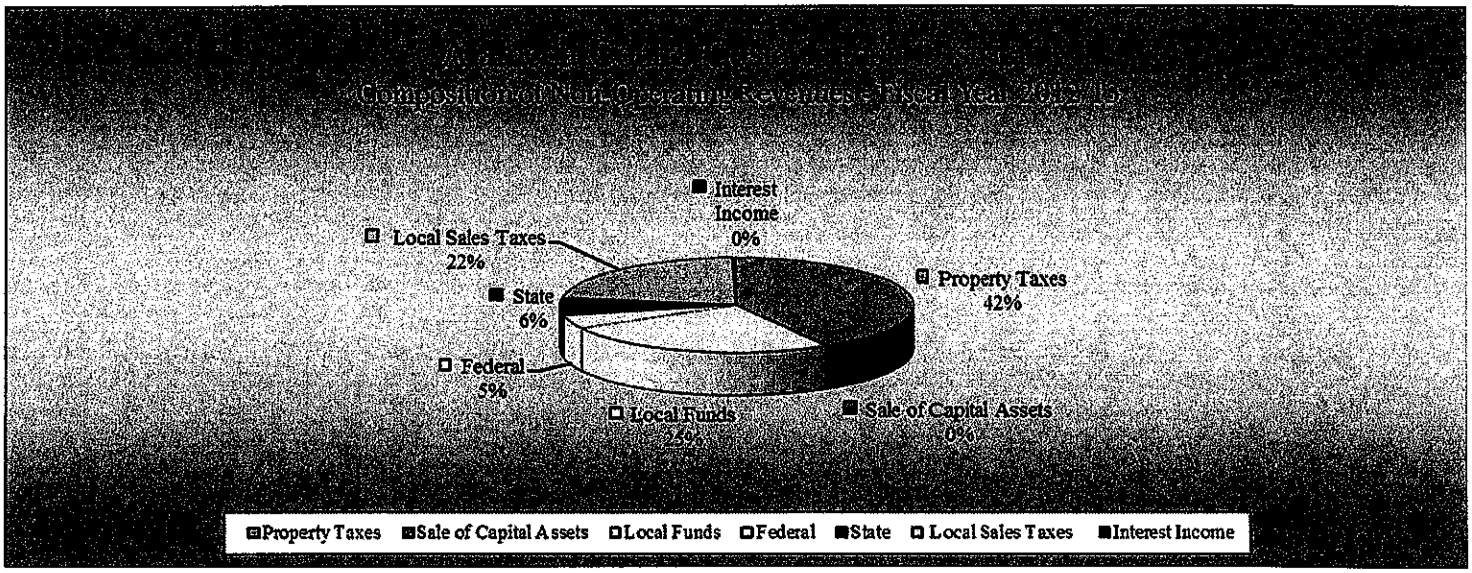
- For Fiscal Year 2013 total Operating Revenue was $63.4 million an increase of $2.9 million or 5 percent over fiscal year 2012 when Operating Revenues were $60.6 million. The components Operating Revenue include Passenger Fares, Contract Services, and Other Operating Revenues. For Fiscal Year 2013 passenger fares were $50.4 million, an increase of $1.2 million or 3 percent compared to Fiscal Year 2012 when passenger fares totaled $49.1 million. The 2013 passenger fares showed an increase in the sales of most fare products, and due to the fact that there were no changes in the fare structure, support reported increases in ridership. There also was continued growth in the use of smart card fare media, particularly for full adult fares during this period. There was a mild increase in contract fares, primarily due to the increase in "Easy Pass" sales attributable to marketing efforts directed towards that program. Other Operating Revenues increased by $1.3 million primarily due to a one time utility rebate for the installation of a fuel cell system, for electrical generation at one of our operating divisions.



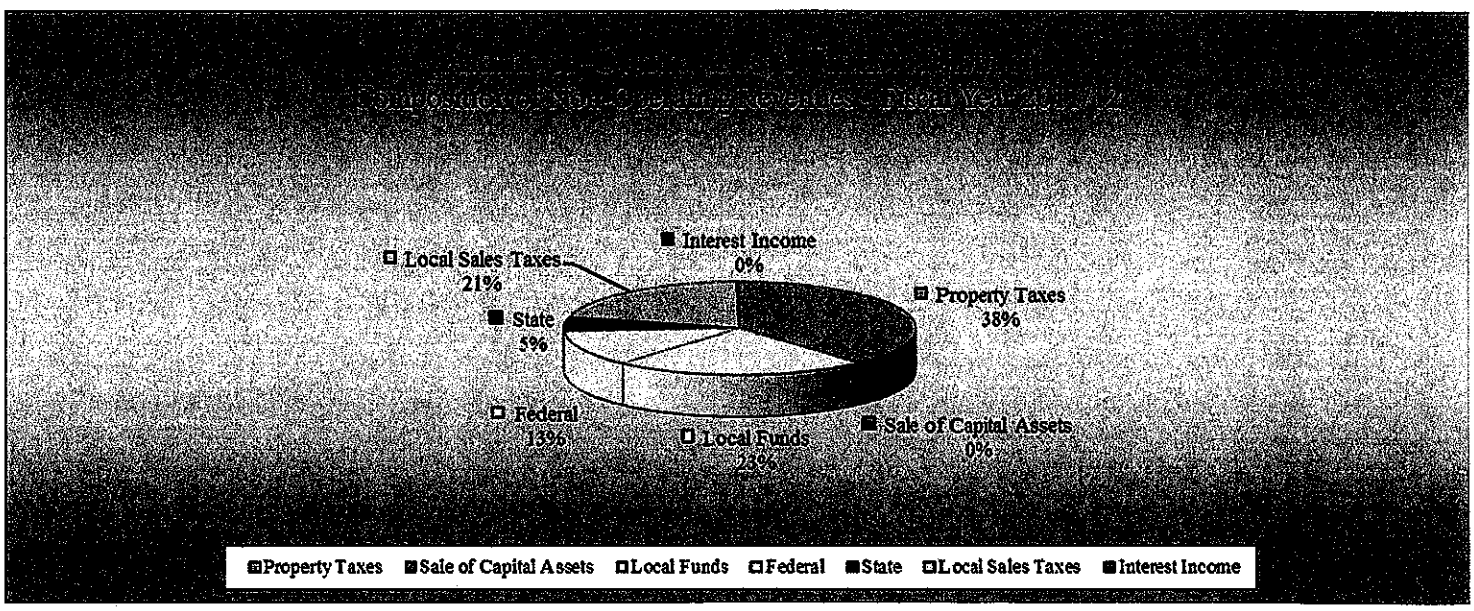
Non-Operating Revenue:

- For Fiscal Year 2013, non-operating revenues were $261.8 million, an increase of $0.2 million compared to Fiscal Year 2012. On the surface this gives the impression that activity was flat, however, changes between categories did occur. The most significant of these changes, is a decrease of Federal preventive maintenance funds of $20.4 million over Fiscal year 2012. This wind down of the Federal preventive maintenance program is due change in emphasis by the District from operating funds, to investments in capital projects and programs. During 2013, the loss of federal preventive maintenance funds was effectively offset by a series of increases, some of them temporary, over Fiscal Year 2012, in Property Taxes, Local Sales Taxes and Other Local and State Funds.

  Property Taxes increased $8.6 million, due in part to a regional economic recovery and property tax funds received that otherwise would have gone to local redevelopment agencies, which have been eliminated by the State of California. It is not clear if the District will continue to receive a portion of those funds in the future. Local Sales Taxes increased by $4.1 million over Fiscal year 2012 due to the on-going regional economic recovery. Local funds increased by 5.8 million, largely due to increases in Transportation Development Act allocations, Regional Measure 2 and other local assistance funds. State funds had an overall increase of $2.8 million. In Fiscal Year 2012, non-operating revenues were $261.6 million.



The "Composition of Non-Operating Revenue" pie charts illustrates that from FY-11/12 (below) to FY-12/13 (above) Federal funds, as a total of non-operating revenue, decreased from 13 percent to 5 percent, due to a reduction in operating funds for the Preventive Maintenance programs. Major shifts in composition between these fiscal years show increases in Property Taxes by of 4%, Local funds by 2%, Local Sales Tax by 1%, and also State by1%. Given that the non-operating revenue was in total within $0.2 million between these fiscal years, the ability for the local and state funds to fill behind the decrease in Federal Operating funds is notable, and suggestive, in part, of on-going economic and real estate market recoveries in the region. When comparing the graphics, it indicates that other categories did not significantly fluctuate.

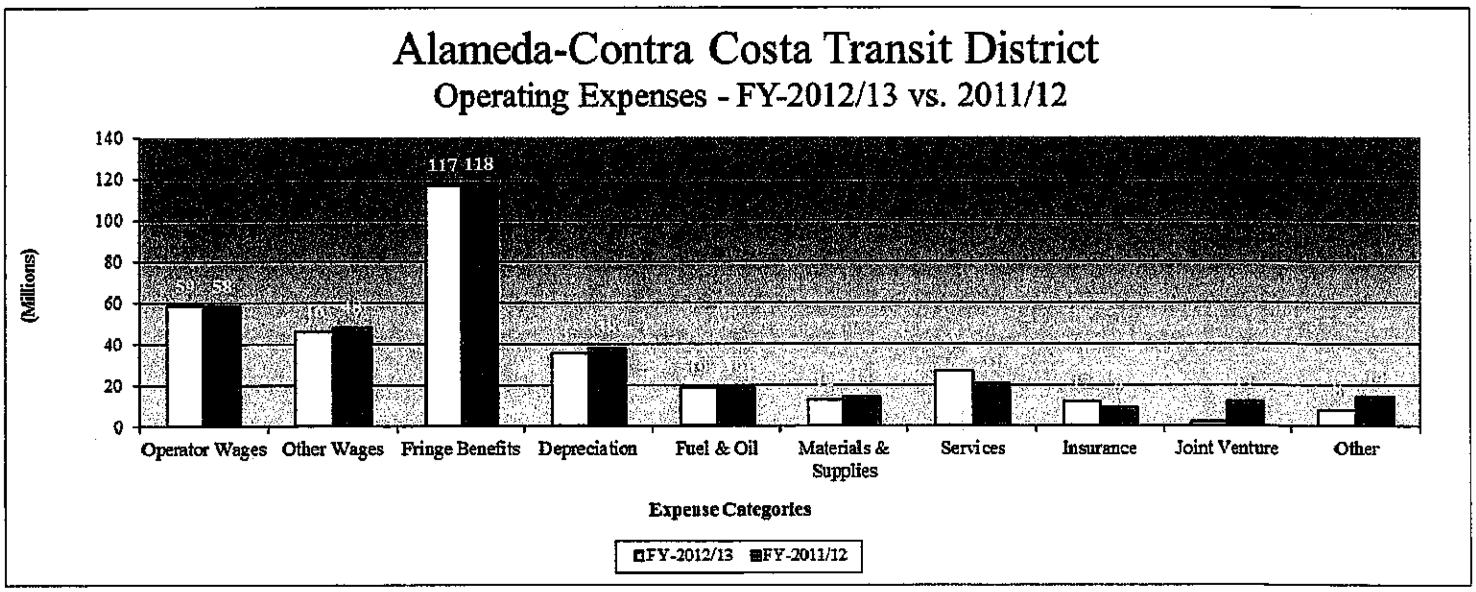


Expense Highlights

Operating Expenses:

- In Fiscal Year 2013, total operating expenses were $336.4million, a decrease of $13.7 million or 4 percent compared to Fiscal Year 2012 when total expense was $350.1million. Salary, Wages, and Fringe decreased in 2013 by $2.6 over prior year, other decreases included depreciation of 2.5 million, other materials & supplies of $1.5 million, expenses of joint venture of $9.1 million, and other expenses by $6.3 million. Increases included the categories of Services, mainly due to inter agency pass though payments of $5.2 million and Insurance due to higher premiums paid during the period related to an incident that settled in 2011.

  The largest decrease was in Net Expenses of Joint Venture of $9.1 million. During this period the expense portion of this category increased by$2.5 million, due to increases in cost of the Para-transit services, and the first full year of outsourcing the Dumbarton bridge service to a third party provider. The revenue increase for this category consisted of $9.4 million was from State Transit Assistance funds, most of which will not be recurring, and $2.4 million of regional measure 2 funds which is expected to be permanent. The next largest decrease was in the category "Other Expenses" of $6.3 million. This decrease was primarily due to not having a pending settlement as we had in the prior period. Decreases in Salary, Wages and fringe was the result of management's efforts to control overtime costs, and while there were increases as predicted in fringe benefits, mainly due to medical and contractually scheduled reductions in the unions contributions for medical, these were offset during the period by a favorable actuarials for workers compensation and sick leave.



Non-Operating Expenses:

- In Fiscal Year 2013, non-operating expense was $1.4 million, compared to $1.7 million in Fiscal Year 2012. The slight decrease is largely due to the more favorable interest rate from the refunding of the 2001 COPS, which is covered in the Debt section.

Capital Program

The District received capital contributions of $64.0 million in Fiscal Year 2013 compared to $47.9 million in Fiscal Year 2012, an increase of $16.1 million over Fiscal Year 2012. This included $27.6 million in State Public Transportation Modernization, Improvement, and Service Enhancement Account Program (PTMISEA) Funds. During the period the District received two new bus fleets as a part of the on-going bus replacement program.

Some of the capital acquisitions included:

- Revenue Vehicle Replacement ($42.3 Million)
- Bus Rapid Transit program ($11.2 Million)
- Maintenance Facilities, and buildings rehabilitation ($1.2 million)
- Fuel Cell program for Bio Gas electricity generation ($6.9 Million)
- Security improvements ($1.3 million)

Additional information concerning the District's Capital Assets can be found in *Note #6 - Capital Assistance in* the *Notes to the Financial Statements.*

Debt

On February 1, 2012 the District issued Refunding Certificates of Participation Series 2012 to take advantage of lower interest rates. The proceeds from the issuance, $9.8 million, were used to refund the 2001 COPS. At June 30, 2013, the outstanding principal component of the annual lease payment was $9.8 million. The District plans to repay the obligation over six years, which will conclude by August 2018.

In December 2007, the District issued a $13.5 million COPS to finance its new Finance Human Resources computer system (FHR Project). The COPS are secured by specified capital assets. At June 30, 2013, the principal component of the annual lease payment was $7.3 million and the District plans to repay the obligation over ten years, which will conclude by August, 2017.

In February 2009 the District issued a $15.0 million COPS to help fund the July 2008 purchase of property located at 66th avenue in East Oakland. At June 30, 2013, the principal component of the annual lease payment was $13.9 million. The COPS are secured by specified capital assets and the District plans to repay the obligation over twenty-five years, which will conclude by August 2034.

Additional information on the District's long-term debt can be found in note (8) to the basic financial statements

Subsequent Events

- The current labor agreement with A.C. Transit's largest labor union (ATU 192) expired on June 30th, 2013. While two tentative agreements have been reached to date, membership has declined both of them. Currently A.C. Transit sought and received a 60 day cooling off period from the governor of the State of California. This cooling off period ends mid-December 2013.

- Since the labor agreement with ATU 192 expired, the pre contract OPEB Trust contribution rates have come back in to effect. It is expected that these higher contribution rates will significantly reduce the growth of related liabilities.

- The labor agreement (AFSCME 3916) with most management employees expired on September 30, 2013. However, an agreement was reached to extend the current contract until March 31, 2014.

- During the course of the fiscal year ended June 30, 2013 A.C. Transit adopted and implemented the state mandated pension reform act (State of California Assembly Bill 1140, also known as "PEPPRA") which applied to all new employees. Subsequently the unions brought a lawsuit in federal court, on the basis of a 1964 federal law that had provisions to protect the labor agreements of transit workers. The result of this action was that the federal court put the implementation of Assembly Bill 1140 on hold, to provide time for the challenges work their way through the federal courts.

- During September and October 2013, AC Transit held public meetings to review a proposal for a new fare structure. As currently proposed, this new structure would eliminate bus transfers, requiring passengers to pay for each trip segment but in return, the current proposal also provides for a reduced price on unlimited monthly bus passes, and the option for customers to purchase a new "day pass". It is anticipated, that whatever is finally adopted, will be implemented within the next twelve months.

Economic Factors

As Beacon Economics reports, the US financial markets have been behaving erratically recently for a number of possible reasons including fear of a slowdown in an already paltry economic recovery, the end of quantitative easing, and worry over another bubble forming in the financial and housing markets. These reactions, however, seem to be 'overreactions' as the U.S. economy continues a slower-than-usual but ongoing expansion. The U.S. economy has been averaging slightly over 2% growth—a number it will likely match in the second quarter of 2013. This is below average in the long run—but not by much. Beacon mentions that the total impact on the economy from the sequestration is not liable to be very large, coming to about $100 billion in spending out of a $15 trillion dollar economy—roughly one-half of 1%

The East Bay labor market recovery continues to move forward in 2013 with the Construction industry acting as one of the major drivers of local employment growth. Total nonfarm employment in April increased by 900 jobs over the previous month, and since April of last year the East Bay has added back 13,900 jobs, a 1.7% increase. Nonfarm employment in the state overall grew only marginally faster at 1.9% year-over-year. The latest numbers show the local economy is moving in the right direction and catching up to growth in the state overall. Another major driver of industry growth in the East Bay has been the Professional, Scientific, and Technical Services sector. These high wage jobs are a boon to the local economy, and as major tech centers in the South Bay and San Francisco ramp up activity, the East Bay is enjoying its role as the source of a skilled labor force that commutes to areas of high employment growth.

The East Bay's residential real estate market has grown significantly over the last year. The median price for an existing single-family home was nearly $400,000 as of the first quarter of 2013, a 25% increase over the median price in the first quarter of 2012 ($319,000). One reason for the rising prices is a shortage of homes available for sale in the East Bay. With demand outpacing supply, prices that are in line with incomes, historically low mortgage interest rates, and a larger number of East Bay residents finding work, prices have jumped. Another contributing factor to the East Bay's, and the nation's, housing recovery is the decline in the number of distressed properties on the market. Each quarter there are fewer and fewer mortgages in default, and fewer homes go into foreclosure. According to DataQuick, defaults in the East Bay were down 66% in the first quarter of 2013 over one year ago, and foreclosures were down 63% over the same time period.

Finally, taxable sales in the East Bay area have accelerated notably during the calendar year, and therefore the Metropolitan Transportation Commission is revising its projected allocations on subsidies derived from those taxable sales upwards.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate accountability for the funds the District receives. If you have questions about this report or need additional financial information, please contact the Alameda-Contra Costa Transit District, attn: Chief Financial Officer, 1600 Franklin St. Oakland, California 94612.

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Basic Financial Statements

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
JUNE 30, 2013
(In thousands)

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 3)	$	95,891
Restricted cash and cash equivalents		71,829
Receivables:		
Federal and local grants:		
Capital		18,946
Planning, operating and other		2,250
Property tax		10,799
Local sales tax		8,076
Other, principally trade receivables		3,358
Total receivables - net		43,429
Due from Pension Trust Fund (Note 5)		3,672
Inventories at average cost		12,164
Prepaid expenses		3,089
Total current assets		230,074
NONCURRENT ASSETS:		
Restricted for certificates of participation:		
Cash and cash equivalents (Note 3):		2,488
Capital assets (Note 4):		
Nondepreciable		32,394
Depreciable, net		199,374
Total capital assets, net		231,768
Total noncurrent assets		234,256
Total assets		464,330
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses		12,513
Accrued salaries and wages		1,628
Current portion of accrued vacation and sick leave		14,974
Due to Pension Trust Fund (Note 5)		3,442
Unearned revenue		5,555
Other accrued liabilities		4,804
Accrued interest payable		604
Current portion of OPEB obligation (Note 10)		1,276
Current portion of claims liabilities (Note 13)		14,873
Current portion of remediation obligations (Note 12)		186
Current portion of certificates of participation (Note 8)		3,034
Total current liabilities		62,889
NONCURRENT LIABILITIES:		
Accrued vacation and sick leave		7,476
OPEB obligation (Note 10)		5,101
Claims liabilities (Note 13)		40,608
Remediation obligations (Note 12)		1,467
Certificates of participation (Note 8)		27,777
Total noncurrent liabilities		82,429
Total liabilities		145,318
NET POSITION		
Net investment in capital assets		202,095
Restricted for capital purchases (Note 11)		74,531
Restricted for debt service		1,605
Unrestricted		40,781
TOTAL NET POSITION	$	319,012

See accompanying notes to the basic financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND

FOR THE YEAR ENDED JUNE 30, 2013

(In thousands)

OPERATING REVENUES:		
Passenger fares	$	50,357
Contract services		8,330
Other		4,720
Total operating revenues		63,407
OPERATING EXPENSES:		
Operator wages		58,526
Other wages		46,363
Fringe benefits		116,849
Depreciation (Note 4)		35,420
Fuel and oil		18,613
Other material and supplies		12,393
Services		26,593
Insurance		11,529
Net expenses of joint venture		2,249
Other		7,842
Total operating expenses		336,377
Operating loss		(272,970)
NONOPERATING REVENUES (EXPENSE):		
Operating assistance:		
Property taxes		108,799
Local sales tax (Note 7)		58,683
Local funds (Note 7)		66,745
Federal (Note 7)		12,070
State (Note 7)		15,953
Loss on sale of capital assets		(1,175)
Interest income		764
Interest expense		(1,338)
Net nonoperating revenues		260,501
Loss before capital contributions		(12,469)
CAPITAL CONTRIBUTIONS (Note 6)		64,015
CHANGE IN NET POSITION		51,546
NET POSITION, beginning of year		267,466
Restatements due to implementation of GASB 65 (Note 8)		
NET POSITION, end of year	$	319,012

See accompanying notes to the basic financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$ 58,687
Cash payments to suppliers for goods and services	(79,128)
Cash payments to employees for services	(222,276)
Other operating receipts	3,155
Net cash used in operating activities	(239,562)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating assistance received	278,430
Interest paid on notes payable	(205)
Net cash provided by noncapital financing activities	278,225
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(49,161)
Capital contributions received	51,133
Proceeds from sale of capital assets	130
Principal paid on certificates of participation	(1,650)
Interest paid on certificates of participation	(1,221)
Net cash used in capital and related financing activities	(769)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	361
Net cash provided by investing activities	361
CHANGE IN CASH AND CASH EQUIVALENTS	38,255
CASH AND CASH EQUIVALENTS, beginning of year	131,953
CASH AND CASH EQUIVALENTS, end of year	$ 170,208
SUMMARY OF CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENT OF NET POSITION:	
Unrestricted cash and cash equivalents	$ 95,891
Restricted cash and cash equivalents	74,317
Total cash and cash equivalents reported on the Statement of Net Position	$ 170,208
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	($272,970)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	35,420
Effect of changes in assets and liabilities:	
Receivables	402
Inventories	(1,201)
Due from Pension Trust Fund	(324)
Prepaid expenses and OPEB asset	424
Accounts payable and accrued expenses	(4,635)
Accrued salaries and wages	267
Accrued vacation and sick leave	(119)
Unearned revenue	(1,967)
Due to Pension Trust Fund	149
Other accrueds	(511)
Long term liabilities	5,503
Net cash used in operating activities	$ (239,562)

See accompanying notes to the basic financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
STATEMENT OF PLAN NET POSITION - PENSION TRUST FUND
DECEMBER 31, 2012
(In thousands)

ASSETS		
Contributions receivable	$	3,082
Receivable from brokers		98
Interest receivable on investments		106
Investments at fair value (Note 3):		
Short-term investments		11,380
Equity securities		61,358
Equity funds		177,901
Fixed income funds		176,199
Global asset allocation funds		44,913
Real estate funds		10,101
Total investments for payment of accrued pension costs		481,852
Total assets		485,138
LIABILITIES AND DEFERRED INFLOWS		
Accrued expenses		136
Due to Enterprise Fund		3,478
Payable to brokers for unsettled transactions		71
Total liabilities		3,685
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$	481,453

See accompanying notes to the basic financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

STATEMENT OF CHANGES IN PLAN NET POSITION - PENSION TRUST FUND

FOR THE YEAR ENDED DECEMBER 31, 2012

(In thousands)

ADDITIONS:		
Employer contributions	$	38,374
Investment income:		
Earnings on investments		6,020
Net appreciation in fair value of investments		51,579
Investment expenses		(857)
Net investment income		56,742
Total additions		95,116
DEDUCTIONS:		
Benefit payments		40,732
Administrative expenses		799
Total deductions		41,531
NET INCREASE		53,585
NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year		427,868
End of year	$	481,453

See accompanying notes to the basic financial statements.

(1) THE FINANCIAL REPORTING ENTITY

Organization – The Alameda-Contra Costa Transit District (the District) is a political subdivision of the State of California established in 1956 and is subject to Transit District Law as codified in the California Public Utilities Code.

Reporting Entity – The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended. This statement sets forth accountability of a government's elected officials to their constituents as the basic criteria for inclusion of an organization in a governmental reporting entity. The governmental reporting entity consists of the District (primary government) and organizations for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the District's ability to impose its will on the organization or (ii) the potential for the organization to provide a financial benefit to, or impose a financial burden on the District.

The basic financial statements include legally separate component units, which are so financially intertwined with the District that they are, in substance, part of the District. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

For financial reporting purposes, the District's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the District's Board of Directors. As such, the basic financial statements include the financial activities of the District's Special Transit Service Districts (Special Districts) No. 1 and No. 2 and other areas in which the District has contracted to provide transit service. Because these districts are not legally separate entities, they are not considered component units under GASB Statement No. 14. Special District No. 1 was the designation used from the creation of the District for its original territory, consisting of the cities and unincorporated areas from roughly Richmond and San Pablo through Hayward. Special District No. 2 was created by annexation agreements among the cities of Fremont and Newark, the County of Alameda and the District and ratified by a subsequent special election in November 1974 in Fremont and Newark. All property within the Special Districts is subject to taxes that may be levied by the District.

In May 1988, the District created AC Transit Financing Corporation (the Corporation), a nonprofit public benefit corporation incorporated in the State of California under the guidelines of the Nonprofit Public Benefit Corporation Law. Legally separate from the District, the Corporation is blended with the primary government because its sole purpose is to provide financial assistance to the District by financing, refinancing, acquiring, constructing, improving, leasing and selling buildings, equipment, land, building improvements, and other public improvements.

The financial activities of the Alameda-Contra Costa Transit District Employees' Pension Plan (the Plan) are fiduciary in the basic financial statements because the Plan exclusively serves the employees of the District. The financial position and changes in financial position of the Plan are reported on a calendar year basis.

(1) THE FINANCIAL REPORTING ENTITY (Continued)

The Plan is administered by the five-member Retirement Board made up of two representatives of the general public selected by the District's Board, two District employees who are elected officials of the Amalgamated Transit Union, Local 192 (ATU) and one District employee selected by the District's Board of Directors from the employees who are not represented by ATU. The Retirement Board has administrative and fiduciary responsibility over the Plan. The Retirement Board utilizes a third-party banking institution as custodian over the Plan's assets.

Separate financial statements for the Corporation and the Plan may be obtained from the District Controller.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements provide information about the District's enterprise fund and the pension trust fund. Separate statements for each fund category – *enterprise and fiduciary* – are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange occurs; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Enterprise Fund (proprietary fund) – The accounts of the District are organized on the basis of a proprietary fund-type, specifically an enterprise fund. The activities of this fund are accounted for with a set of self-balancing accounts that comprises the District's assets, deferred outflows, liabilities, deferred inflows and net position, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) with pricing policies that establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to passengers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets and equipment. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Pension Trust Fund – The Pension Trust Fund accounts for the accumulated resources to be used for retirement annuity payments to all members of the Plan.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Any restricted cash and investments used to service debt principal and interest payments of the District would not be considered cash equivalents.

Investments – The District applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which require governmental entities to report certain investments at fair value in the statement of net position and the statement of plan net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Restricted for Certificates of Participation – In connection with the 2007 Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of $1.35 million. Pursuant to a trust agreement by and between the Corporation, the District, and the trustee, the restricted assets in the fund can only be used to service lease payments on the outstanding certificates of participation.

In connection with the 2009A Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of $1.138 million. Pursuant to a trust agreement by and between the Corporation, the District, and the trustee, the restricted assets in the fund can only be used to service lease payments on the outstanding certificates of participation.

The reserves are reported as non-current.

Pension Plan – The District's noncontributory pension plan provides retirement benefits for all qualifying union and non-union employees. The District's annual contribution to fund the Plan is actuarially determined based on a percentage of gross payroll, which includes the normal cost of the Plan plus amortization of prior service costs over a period of not more than thirty years. Cash and investments in the Plan are restricted by law to provide for the future payment of pension benefits and related expenses.

Inventories – Inventories consist primarily of bus replacement parts and fuel and are stated at average cost. Inventory usages are charged to expense, on a weighted-average basis, at the time that individual items are withdrawn from inventory.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Building, structures and other improvements	30 years
Revenue equipment	12 years
Service vehicles and other equipment	3 to 10 years
Engines and transmissions	5 years
Revenue vehicles (Mini Vans)	7 years

The District's policy is to capitalize all property and equipment with a cost greater than $1,000 and a useful life of more than one year.

Operating Assistance - Grants are accounted for as nonoperating revenue as soon as all eligibility requirements have been met.

Contract Services – The Metropolitan Transportation Commission (MTC) allocates a portion of the San Francisco Bay Area Rapid Transit District's (BART) State Transportation Assistance funds to the District for allowing BART passengers to ride District buses at a discounted rate when they provide a BART transfer. Allocations from MTC totaled $2.46 million for the year ended June 30, 2013 and are recorded as contract services. See Note 14 for related party disclosures on the Consortium.

Property Taxes, Collection and Maximum Rates – The State of California (State) Constitution Article XIII A provides that the maximum basic property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold, transferred or improved. The State Legislature has determined the method of distribution of receipts of the tax levy among the counties, cities, school districts and other districts, including the District.

Alameda and Contra Costa counties assess properties, bill for, collect and distribute property taxes. Property taxes are recorded as nonoperating revenue (including secured delinquent property taxes) net of estimated uncollectible amounts, in the fiscal year of levy.

Assessed values are determined annually by the Assessor's Offices of Alameda and Contra Costa counties on January 1, and become a lien on the real properties at January 1. The levy date for secured and unsecured properties is July 1 of each year. Secured taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent after August 31.

The District accrues delinquent property taxes from Contra Costa County. The cumulative amount of delinquent taxes uncollected for the current and prior years has been recorded as a receivable. The District, through the County of Alameda (County), is under the Teeter plan whereby, delinquent taxes are received by the District from the County's own funds in the event that delinquent taxes are not received by a certain due date. In return, the District forgoes the penalties and interests that would accrue on these delinquent property taxes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On November 30, 2004, the voters approved Measure BB, which superseded the Measure AA parcel tax. Measure BB increased the amount of annual parcel tax to $48 per year and the term of the tax to 10 years from the date of implementation. The tax became effective on July 1, 2005 and was to terminate on June 30, 2015. However, on November 4, 2008, the voters approved Measure VV, which supersedes the Measure BB parcel tax. Measure VV became effective July 1, 2009 and increased the annual parcel tax to $96 per parcel. Measure VV is effective through June 30, 2019. The revenue derived from this measure is to be used to sustain public transportation services provided by the District in Special District No. 1. The District received approximately $29.4 million in Measure VV taxes during the year ended June 30, 2013.

Compensated Absences – The personnel policies of the District generally allow employees to accrue up to 240 hours of vacation and 140 days of sick leave. Unused accrued vacation is paid to the employee upon termination from District employment. Unused accrued, vested sick leave is paid, upon retirement, to those employees with ten or more years of District service.

Capital Contributions – The District receives grants from the Federal Transit Administration (FTA) and state and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recorded as revenues after net nonoperating revenues and the cost of the related assets is included in capital assets.

Net position – The financial statements utilize a net position presentation. Net position are categorized as investment in capital assets, restricted and unrestricted.

- Investment in capital assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted net position – This category represents restrictions on net position externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. At June 30, 2013, the District has restricted net position in the amount of $1.35 million related to the 2007 Certificates of Participation (COPS) and $57.007 million for the future acquisition of buses (See Note 11). The net position restricted for debt service are maintained in a reserve fund to service lease payments on the outstanding 2007 COPS.

- Unrestricted net position – This category represents net position of the District, not restricted for any projects or other purposes.

Use of Estimates – Management has made estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare the basic financial statements in conformity with Generally Accepted Accounting Principles. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS

Investment policy - The District's investment policy, which is more restrictive than required by the California Government Code, stipulates the type, maturity limit, and diversification of securities held by the District. The objectives of the policy, in order of priority, are compliance with applicable laws, preservation of capital, liquidity to meet required cash demands and maximization of income. The District's investment policy does not permit investments in medium term notes, municipal securities or reverse repurchase agreements, which are permitted by the California Government Code. In accordance with the District's investment policy, the District may invest in the following types of investments, subject to certain restrictions, such as rating quality or maximum percentages of the portfolio:

(a) Repurchase agreements
(b) Securities of U.S. government and its agencies
(c) California Local Agency Investment Fund
(d) Negotiable certificates of deposit
(e) Commercial paper
(f) Bankers acceptances

The Plan's investments are invested pursuant to investment policy guidelines established by the Retirement Board. The long-term asset allocation of the investment portfolio is to have 33% of the portfolio invested in domestic equities, 20% in international equities, 37% in domestic fixed income securities, and 10% in three global asset allocation funds. The portfolio is managed by investment managers hired by the Board. The Board utilizes both active and passive management in the domestic equity portfolio. The Board has chosen to manage the investment risks described by Government Accounting Standards Board Statement No. 40 by requiring investment managers to abide by certain guidelines that are tailored to the portfolio that the manager manages. These guidelines specify the amount of credit, interest, and foreign currency risk that a manager may take and the performance objective of the portfolio.

The allocation to global asset allocation Funds allow the investment managers to adjust the portfolio managed based on which asset classes (primarily stocks and bonds) they consider desirable. The specific asset allocation decisions are made by the investment managers within their investment policy limits. Global asset allocation results in the placement of the asset allocation decision on the investment manager, rather than the Retirement Board.

(3) CASH AND INVESTMENTS (Continued)

Presentation - At June 30, 2013 (December 31, 2012 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	$	170,208
Investments		481,852
Total	$	652,060
Reported in the Enterprise Fund as:		
Cash and cash equivalents	$	95,891
Restricted cash and cash equivalent		74,317
Reported in the Pension Trust Fund as:		
Investments restricted for payment of accrued pension costs (at December 31, 2012)		481,852
Total	$	652,060

Fund Investments – Specific Risks

As of June 30, 2013, the District had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Standard & Poor's Rating	Investment Maturities Less Than 1 Year
Bank Repurchase Agreements	$ 25,000	Not rated	$ 25,000
Money Market Mutual Funds	67,403	Aaam	67,403
Total	$ 92,403		$ 92,403

Interest Rate Risk – The District has limited exposure to interest rate risk due to its liquidity needs to meet cash flow demand requirements. All of its investments have a remaining maturity at date of purchase of three months or less. None of the District's investments are highly sensitive to interest rate changes.

Credit Risk – The District's credit rating risk is governed by the California Government Code 53601 which limits investments in money market mutual funds to the highest ranking attained by the rating agency which is Aaam. The District had investments in U.S. government agencies, bank repurchase agreements (underlying of U.S. Treasury securities) and in money market mutual funds. There are no credit limits on the securities of U.S. Treasury since these investments are backed by the full faith and credit of the United States government.

(3) CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk – The District manages this risk by requiring that no more than 20% of its total investment portfolio (with the exception of securities of the U.S. Treasury or U.S. government agencies) be invested in a single security type or with a single financial institution. Disclosure requirements state that any investments in a single security type or held with a single financial institution that are greater than 5% of the District's investments must be disclosed, except for investments in external pools and mutual funds. In fiscal year 2013, the District had $25 million of its investments invested in repurchase agreements.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The California Government Code requires California banks and savings and loan associations to secure governmental deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure governmental deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Such collateral is considered to be held in the District's name.

Pension Trust Fund – Specific Risks

Interest Rate Risk – For the Plan, interest rate risk is managed through the duration of its fixed income securities. Bond prices are highly sensitive to the movement of interest rates. A decline in interest rates will tend to increase bond prices while an increase in rates will depress prices. Duration is a measure of interest rate risk with a higher duration signifying greater price volatility in response to a change in interest rates.

At December 30, 2012, the Plan did not have any direct investment in fixed income securities.

Credit Risk – For the Plan, fixed income assets are invested in two pooled investment vehicles and with an outside money manager. As of April 2010, the Plan converted all of the fixed income investments of the Plan to investments in commingled pools or mutual funds.

As of December 31, 2012, $10.5 million was invested in a short term pooled investment fund managed by State Street Corporation. This fund is not rated.

Concentration of Credit Risk – The Plan also has investments that represent 5% or more of Plan net position as of December 31, 2012. The Plan had no investments in a single issuer that equaled or exceeded 5% of Plan net position.

Foreign Currency Risk – Foreign currency risk is the risk that the changes in foreign exchange rates will affect the fair value of an investment denominated in a foreign currency. The Plan has, or could have, exposure to foreign currencies through its investment in several commingled investments. As of December 31, 2012, investments in international funds totaled $88.9 million.

(4) CAPITAL ASSETS

Following is a summary of capital assets at June 30, 2013 (in thousands):

	June 30, 2012	Additions	Retirements	Transfers	June 30, 2013
Non-depreciable capital assets:					
Land	$27,662	$3			$27,665
Work in progress	730	48,273		($44,274)	4,729
Total	28,392	48,276		(44,274)	32,394
Depreciable capital assets					
Revenue equipment	265,820		($18,120)	29,888	277,588
Service vehicles and other equipment	157,513	212	(683)	2,011	159,053
Buildings, structure and improvements	194,670	673	(73)	12,375	207,645
Total	618,003	885	(18,876)	44,274	644,286
Less accumulated depreciation					
Revenue equipment	(168,464)	(18,063)	16,888		(169,639)
Service vehicles and other equipment	(130,273)	(9,958)	683		(139,548)
Buildings, structure and improvements	(128,326)	(7,399)			(135,725)
Total	(427,063)	(35,420)	17,571		(444,912)
Depreciable capital assets, net of accumulated depreciation	190,940	(34,535)	(1,305)	$44,274	199,374
Capital assets, net of accumulated depreciation	$219,332	$13,741	($1,305)		$231,768

(5) INTERFUND RECEIVABLES/PAYABLES

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2013 and the Pension Trust Fund is reported as of December 31, 2012; therefore, interfund payables and receivables do not equal. Interfund receivables and payables arise due to the timing of reimbursements from the Pension Trust Fund for administration costs and retiree benefits payments made by the District and payments to the Pension Trust Fund for contributions based on covered payroll.

December 31, 2013
(in thousands)

Interfund payable	Interfund receivable	
Pension trust fund	Enterprise fund	$3,082

December 31, 2012
(in thousands)

Interfund payable	Interfund receivable	
Pension trust fund	Enterprise fund	$3,254

(6) CAPITAL ASSISTANCE

The District has 18 grant contracts in process with the FTA that provide federal funds for the acquisition of buses, other equipment and improvements. Under the terms of the grants, proceeds from equipment sold or retired are refundable to the federal government in proportion to the original federal capital grant funds used in the purchase. The District has also received allocations of funds generated from net bridge toll revenues of the San Francisco-Oakland Bay Bridge and from PTMISEA grants, see Note 11 (State grants). These funds are received under provisions of the California Streets and Highways Code and are allocated based on claims approved by the MTC. These grants are summarized for the year ended June 30, 2013 as follows (in thousands):

Federal grants	$	12,887
State grants		51,128
	$	64,015

(7) OPERATING ASSISTANCE

State and Local Operating Assistance - The Transportation Development Act (TDA) creates in each local jurisdiction a Local Transportation Fund that is funded by a ¼ cent from the retail sales tax collected statewide. The State Board of Equalization returns these funds to the local jurisdiction according to the amount of sales taxes collected in that jurisdiction. TDA funds are allocated to the District from Alameda and Contra Costa counties to meet, in part, the District's operating requirements. The allocation is based on population within the District.

Supplementary service revenues (AB 2972) are formula allocated funds that are passed to the District through the Oakland Unified School District (OUSD) for OUSD's home to school service program. Funds are allocated for this program based on the cost of running the OUSD program as a percentage of total school districts statewide applying for these funds.

Welfare to work grant funding is provided by the State to match the federal welfare to work program that is used to fund the District's Job Access and Reverse Commute program. The welfare to work grant is funded based on the population within a local area that are below the poverty level and comprise CalWORKS recipients. The Job Access and Reverse Commute program provides transportation to key low-income neighborhoods, homeless centers and targeted work centers particularly during evening, night and weekend hours.

(7) OPERATING ASSISTANCE (Continued)

Below is a summary of state and local operating assistance for the year ended June 30, 2013 (in thousands):

Local funds:		
Transportation Development Act	$	53,979
Regional Measure 2		12,766
	$	66,745
State operating assistance		
Operating Revenues	$	10,071
Supplementary Service/Welfare to Work		2,000
Pass thru		3,882
	$	15,953

Local Sales Tax – The local sales tax assistance (AB1107) is derived from the one-half percent retail tax imposed on the three BART counties (Alameda, Contra Costa and San Francisco). Of the total amount collected, 75% is a direct BART subsidy with the District and the San Francisco Municipal Railway System (MUNI) sharing the remaining 25% equally.

In 1987, the District began receiving local sales tax revenue under Measure B. Approved by the voters of Alameda County, Measure B provides for the collection and distribution by the Alameda County Transportation Authority of a one-half percent transactions and use tax. The District is authorized to receive 11.617% of the annual tax collected under the condition that the money be used for service exclusively in Alameda County.

In 2009, the District began receiving local sales tax revenue under Measure J, which is an extension of existing Measure C one-half percent sales tax for financing of transportation projects in Contra Costa County. As a transit operator in Contra Costa County, the District is eligible to submit project proposals to the Contra Costa Transportation Authority (CCTA) for funding under Measure J.

Local sales tax assistance for the year ended June 30, 2013, is summarized below (in thousands):

AB1107	$ 34,812
Measure B	19,893
Measure J	3,978
	$ 58,683

Section 5307 Funding Sources – All federal funding sources are distributed by FTA after approval by the MTC. Federal funding sources for the year ended June 30, 2013 are summarized below (in thousands):

Preventative maintenance	$ 9,594
Americans with Disabilities program - ADA set aside	2,476
Americans with Disabilities Act paratransit program - lease	1,088
Less amount reported within net expenses of joint venture	(1,088)
	$12,070

At June 30, 2013, Federal Section 5307 funds totaling $2,250 were recorded as a receivable.

(8) LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2013 (in thousands):

	Original Issue Amount	Balance June 30, 2012	Retirements	Balance June 30, 2013	Amount due within one year
2007 Certificates of Participation					
4%-4.75%, due 08/01/2017	$ 13,500	$ 8,600	$ (1,280)	$ 7,320	$ 1,330
Less unamortized premium		139	(27)	112	27
2009A Certificates of Participation					
3%-6.125%, due 08/01/2034	15,000	14,295	(370)	13,925	380
Less unamortized discount		(404)	18	(386)	(18)
2012 Refunding Certificates of Participation					
4%-4.75%, due 08/01/2018	9,840	9,840		9,840	1,315
Total Long-Term Debt		32,470	$ (1,659)	30,811	$ 3,034
Less:					
Amount due within one year		(1,626)		(3,034)	
Total Long-Term Debt, net		$ 30,844		$ 27,777	

On December 19, 2007, proceeds from the issuance of $13,500,000 of Certificates of Participation, Series 2007 (2007 COPS) were used to acquire and install a financial and human resources/payroll software system, including wiring and implementation of support services during the first year following completion. Interest on the 2007 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2017.

On February 1, 2009, proceeds from the issuance of $15,000,000 of Certificates of Participation Series 2009A (2009A COPS) were used to acquire the land at 66th Avenue and all existing facilities and improvements. Interest on the 2009A COPS is payable semiannually on February 1 and August 1 of each year through the year 2034.

On February 1, 2012, The District issued Refunding Certificates of Participation Series 2012 (2012 COPS). The proceeds from the issuance of the $9,840,000 were used to refund and retire the 2001 COPS. Interest on the 2012 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2018.

(8) LONG-TERM LIABILITIES (Continued)

The District's debt service requirements to maturity for each of the next 5 fiscal years and thereafter are summarized as follows (in thousands):

For The Year Ending June 30	Principal	Interest	Total
2014	$ 3,025	$ 1,245	$ 4,270
2015	3,430	1,140	4,570
2016	3,530	1,027	4,557
2017	3,645	910	4,555
2018	3,770	786	4,556
2019 - 2023	4,215	3,188	7,403
2024 - 2028	3,155	2,428	5,583
2029 - 2033	4,235	1,316	5,551
2034 - 2035	2,080	131	2,211
Total	31,085	$ 12,171	$ 43,256
Unamortized premium and discount	(274)		
Total payment	$ 30,811		

Debt Limit

Board policy on debt limitation (as defined by Ordinance No. 3773) states that "total annual debt service expenses shall not exceed ten percent of operating revenue (including subsidies) provided that in no event shall such indebtedness exceed twenty percent of the assessed value of all real and personal property within the District." The District's legal annual debt service limit as June 30, 2013, is approximately $33 million.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed a calculation to determine if there were any excess investment earnings on the District's COPS at June 30, 2013, and as a result of this calculation the District does not expect to incur a liability.

GASB 65

With the early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities,* the District has restated and eliminated deferred bond issuance costs previously recognized. The net impact to the beginning balance of net position is shown on the Statement of Revenue, Expenses and Changes in Net Position.

(9) PENSION PLAN

Plan Description – The Plan is a noncontributory single-employer defined benefit pension plan, which provides retirement benefits for all qualifying union and non-union employees. Administration of the Plan is performed by the Plan's management staff and overseen by the Plan's Retirement Board.

The District makes contributions, based upon the Plan's actuarial calculation each fiscal year. The Plan's members are members of the Amalgamated Transit Union (ATU), the America Federation of State, County and Municipal Employees (AFSCME), the International Brotherhood of Electrical Workers (IBEW) and unrepresented employees. Each union vesting period is based upon its individual collective bargaining entity, which is 5 years for all employees other than ATU employees, who have an 8-year vesting requirement.

Actuarial methods and assumptions
The actuary used the following assumptions and methods in calculating the annual required contribution and the funded status:

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage open
Remaining amortization period	16 years (decreasing one year annually, 12 year minimum 50% of 2008 investment loss is amortized over 30 years
Asset valuation method	Market value less unrecognized investment gains or losses during the prior four years, phased in at 20% per year, but required to be within 20% of market value.
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	3.5% - 7.0% for ATU/IBEW participants 3.5% for AFSCME and non-represented participants
*Includes inflations at	3.0%
Cost of living adjustments	None

Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Basis of Accounting – Contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. Investments are stated at fair value. Quoted market values are used to value investments. Investment gains and losses are based on average cost. Purchases and sales of securities are recorded on the trade date.

(9) PENSION PLAN (Continued)

Funding Policy – The District's contributions to the Plan normally are made in accordance with actuarially determined requirements. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when they are due. Significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the District's actuarial accrued liability.

The District's annual required contribution in the current year was $38,962 representing 100% of projected actuarial payroll.

The three-year trend information for the Plan is as follows (dollars in thousands):

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	$ 37,861	100%	$ -
June 30, 2012	38,624	100%	-
June 30, 2013	38,962	100%	-

Funded Status and Funding Progress – The unfunded actuarial liability is being amortized as a level percentage of expected payroll on an open basis over twenty-one years. As of January 1, 2013, the most recent actuarial valuation date, the funded status of the plan was as follows (dollars in thousands):

Actuarial accrued liability (AAL)	$ 721,195
Actuarial value of plan assets	453,422
Unfunded actuarial accrued liability (UAAL)	$ 267,773
Funded ratio (actuarial value of plan assets/AAL)	63%
Annual covered payroll (active plan members)	$ 126,239
UAAL as a percentage of annual covered payroll	212%

A schedule of funding progress that shows a trend analysis of funding progress can be found in the required supplementary information. The Plan issues stand-alone financial statements and copies of these statements can be obtained from the AC Transit Retirement Department, 1600 Franklin Street, Oakland, CA 94621.

(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

ATU Local 192 Benefit Trust

Plan Description

The ATU Local 192 Benefits Trust (the Trust) administers a single-employer defined benefit post employment plan to assist eligible retirees with their medical costs. The Trust consists of three programs that provide other post employment benefits: the ATU Retiree Health & Welfare Program, the AFSCME Retiree Medical Program and the IBEW Retiree Medical Program. The Trust provides medical benefits to all vested retirees at least 55 years old by paying a portion of the medical insurance premiums or reimbursement of eligible medical expenses not to exceed the maximum negotiated rates. Rates are negotiated between the District and the respective bargaining units. The Trust's board of trustees has historically adopted rates based on the premiums offered by participating providers.

Funding Policy

The District is required to make contributions to the Trust based on the number of hours worked by active union employees. The establishment and modification of the memorandums of understanding between the District and the respective bargaining units creates the authority under which the District is obligated to make its contributions. For fiscal year 2013, the required contribution rates were as follows:

Bargaining Unit	Contribution Rate
ATU Local 192	$0.65 per hour per employee
AFSCME	No contribution
IBEW	$0.55 per hour per employee

Annual OPEB Cost and Net OPEB Obligation (Asset)

The District's annual other post employment benefit (OPEB) cost is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and unfunded actuarial liabilities amortized over thirty years.

(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB asset to the plan (in thousands):

Annual required contribution	$ 5,013
Interest on net OPEB obligation	70
Adjustment to annual required contribution	(60)
OPEB cost	5,023
Contribution made	(1,808)
Increase in net OPEB obligation	3,215
Net OPEB obligation - beginning of year	1,404
Net OPEB obligation - end of year	$ 4,619

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the current year is as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$ 4,334	66.5%	$ (1,338)
June 30, 2012	4,561	39.9%	1,404
June 30, 2013	5,023	36.0%	4,619

Funded Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2013, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 81,355
Actuarial value of plan assets	6,237
Unfunded actuarial accrued liability (UAAL)	$ 75,118
Funded ratio (actuarial value of plan assets/AAL)	7.7%
Annual covered payroll (active plan members)	110,995
UAAL as a percentage of annual covered payroll	67.7%

(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions
Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of January 1, 2012, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuary uses market value to determine the actuarial value of the plan assets.

The actuarial assumptions include an investment rate of 5%, an inflation rate of 3.5%, a healthcare cost trend rate of 10% for fiscal year grading down 1.0% each year to 5.0% for fiscal year 2018 and beyond.

The Trust issues stand-alone financial statements and copies of these statements can be obtained from the District Controller, 1600 Franklin Street, Oakland, CA 94621.

<u>Retiree Benefits Non-Trust Plan</u>

Plan Description
The District administers a single-employer defined benefit post employment plan called the Retiree Benefits Non-Trust Plan (the OPEB Plan) to assist eligible retirees with their medical costs. The OPEB Plan provides medical, dental, vision and life insurance benefits to all vested retirees and their spouses at least 55 years old by paying the current participating providers' insurance premiums. The medical insurance benefit is also available for a retiree's dependent, if applicable. The OPEB Plan differs from the Trust in that it provides Trust plan members supplemental healthcare benefits in addition to medical benefits, as well as providing medical benefits to District employees who are unrepresented. Insurance premium rates are negotiated between the District and the respective bargaining units. The District has historically adopted rates based on the premiums offered by participating providers. The OPEB Plan does not issue stand-alone financial statements.

(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

The District has historically funded the OPEB Plan on a pay-as-you-go basis. There is currently no requirement for either the District or the OPEB Plan members to make contributions to the OPEB Plan.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost is equal to the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and unfunded actuarial liabilities amortized over thirty years.

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligation to the plan (in thousands):

Annual required contribution	$ 2,524
Interest on net OPEB obligation	51
Adjustment to annual required contribution	(69)
OPEB cost	2,506
Contribution made	(1,871)
Increase in net OPEB obligation	635
Net OPEB obligation - beginning of year	1,123
Net OPEB obligation - end of year	$ 1,758

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior years are as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2011	$ 1,396	93.5%	$ 1,162
June 30, 2012	1,551	102.5%	1,123
June 30, 2013	2,506	74.7%	1,758

(10) POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress
The unfunded actuarial accrued liability is being amortized as a level dollar of expected payroll on an open basis over thirty years, beginning July 1, 2007. As of June 30, 2013, the funded status of the plan was as follows (in thousands):

Actuarial accrued liability (AAL)	$ 31,930
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 31,930
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	$117,641
UAAL as a percentage of annual covered payroll	27.1%

Actuarial Methods and Assumptions
Actuarial valuations of an on-going plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of June 30, 2013, the actuarial cost method used was the projected unit credit method. This method allocates the present value of benefits for each individual attributable to service to date, using future compensation projected to retirement. The amortization method used was the level dollar open method; the remaining amortization period is 30 years. The actuarial assumptions include an investment rate of 4.5%, an inflation rate of 3.2%, a healthcare cost trend rate of 10% for fiscal year 2013 grading down 1.0% each year to 5.0% for fiscal year 2017 and beyond, and a dental and vision cost rate of 3.0%.

(11) COMMITMENTS

PTMISEA Grants

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes a program of funding in the amount of $4 billion to be deposited in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Of this amount, $3.6 billion in the PTMISEA is available to project sponsors in California for allocation to eligible public transportation projects.

During fiscal year 2010, the District submitted a Corrective Action Plan requesting additional PTMISEA grant funding on top of its fiscal year 2009 allocation to purchase buses.

The California Department of Transportation (CalTrans) determined that the District was eligible to receive an additional allocation totaling $8.826 million (2009 allocation). The funds were sent to the District prior to its purchase of the buses but are committed to funding future bus purchases. The funds must be encumbered within three years and expended within three years of being encumbered.

In fiscal year 2013, the District received grant funds for the purchases of buses and Transit Access Improvement projects in the amount of $27.574 million.

The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal year as well as the remaining commitment as of June 30, 2013 (in thousands):

Total Allocations as of June 30, 2012	Total Allocations received in FY 2013	Cumulative Expenses Incurred through June 30, 2013	Interest Income	Commitment at June 30, 2013
$ 46,893	$ 27,611	$ 12,586	$ 27	$ 74,531

(12) CONTINGENCIES

Lease and Use Agreement for the Temporary Terminal and Transit Center

In September 2008, the District approved a Lease and Use Agreement for the Temporary Terminal and the new Transit Center with the Transbay Joint Powers Authority (the TJPA). The agreement sets forth the parties' rights and obligations up to the year 2050 with respect to (a) the District's bus operations in the Temporary Terminal and the new Transit Center; (b) the District's contribution to offset annual operating costs for the Temporary Terminal and Transit Center; and (c) the District's capital contributions to build the Transit Center in the sum of $57,000,000 (in 2011 dollars). The District's $57,000,000 contribution will be funded through a combination of payments from various grant funded sources and a proposed passenger facilities charge.

Projected contributions are scheduled as follow (in thousands):

	Payments
2014	$ 8,302
2015	7,758
2016	4,626
2017	987
2018	960
2019 - 2023	5,284
2024 - 2028	5,901
2029 - 2033	6,282
2034 - 2034	340

Claims and Potential Litigation

There are claims and litigation pending, which are considered normal to the District's operation of the transit system. The District maintains insurance coverage for such incidents, as summarized in Note 13, and provisions have been made in the financial statements for estimated losses under the self-insurance retention limits of insurance policies.

Pollution Remediation

The District has an estimated $1.653 million in liabilities for the monitoring and potential clean-up costs for pollution remediation obligations. The District has several locations where soil and groundwater has been contaminated.

The Alameda County Health Care Services Agency (ACHCS) and the Alameda County Water District (ACWD) issued directives to the District to perform groundwater monitoring and require conceptual models and feasibility studies to address possible mitigation measures. The estimated liabilities were measured at current value using the expected cash flow technique for each obligating event based on current and estimated costs. Changes to estimated liabilities will be made when new information, such as changes in remediation plans, technology and legal or regulatory requirements, becomes available.

(13) RISK MANAGEMENT

As of June 30, 2013 the District has the following coverages:

Type of Coverage	Deductible	Coverage Limit
General Liability	$200,000	$2,000,000 per occurrence with excess up to $55,000,000
Workers' Compensation	1,000,000	Statutory Limit
Property, B&M, Auto Physical Damage	100,000	$100,000,000

The District accrues a liability for claims and litigation (including a reserve for claims incurred but not reported) based on an actuarial study. The liability includes allocated and unallocated claims adjustment expenses and incremental claim expense. In addition, the District is partially self-insured for health and dental exposure. Management has evaluated the potential liability and recorded an accrual, which includes an amount for incurred but not reported claims.

During the year ended June 30, 2013, the actuarial estimates based on the 75th percentile discounted at 3.0 to 3.5% to estimate its liability for worker's compensation and the public liability claims were $43.7 million and $11.7 million, respectively.

Changes in the reported liability resulted from the following (in thousands):

	Workers' Compensation Liability	Public Liability	Health and Dental Liability	Total
Balance at June 30, 2011	$ 41,143	$ 7,297	$ 225	$ 48,665
Claims and changes in estimates	13,303	6,708	4,685	24,696
Claim Payments	(9,971)	(4,257)	(4,793)	(19,021)
Balance at June 30, 2012	44,475	9,748	117	54,340
Claims and changes in estimates	11,571	8,998	4,110	24,679
Claim Payments	(12,377)	(7,051)	(4,110)	(23,538)
Balance at June 30, 2013	$ 43,669	$ 11,695	$ 117	$ 55,481

The classification of the current and long-term portion of the self-insurance liabilities for the year ended June 30, 2013 are summarized as follows (in thousands):

	Current	Long-term	Total
Workers' compensation liability	$ 8,820	$ 34,849	$ 43,669
Public liability	5,936	5,759	11,695
Health & Dental liability	117		117
	$ 14,873	$ 40,608	$ 55,481

(14) JOINT VENTURE

In 1994, the District and BART executed an agreement establishing the East Bay Paratransit Consortium. The District supports the project primarily through its own operating funds, with some financial assistance from Alameda County Measure B funds. The purpose of the Consortium is to provide Americans with Disabilities complementary paratransit services in Alameda and western Contra Costa counties. The area served encompasses the AC Transit/BART coordinated service area. Revenues and expenses for the Consortium are split evenly between the District and BART, respectively, and the District's financial statements reflect its portion of revenues and expenses as operating activities. The District has no equity interest in the Consortium.

Effective October 1, 2003, the Consortium discontinued the practice of rotating lead agency responsibilities on an annual basis. Key administrative support functions are now permanently assigned to each participating agency. Also effective October 1, 2003, a Service Review Advisory Committee (SRAC) was established to serve in an advisory capacity to the Service Review Committee. The primary mission of the SRAC will be to advise on planning, policy and other matters related to the Consortium; advocate for high quality, safe, reliable and courteous paratransit services; and to provide a forum for public input and participation in the review, assessment and evaluation of the ADA paratransit service.

In fiscal year 2013, the District incurred expenses of $26.684 million related to the Consortium.

Required Supplementary Information
(Other than MD&A - Unaudited)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
SCHEDULE OF FUNDING PROGRESS
ALAMEDA-CONTRA COSTA TRANSIT EMPLOYEES' PENSION PLAN (UNAUDITED)
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

Pension Actuarial Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
January 1, 2010	$ 391,062	$ 625,116	$ 234,054	63%	$ 136,127	172%
January 1, 2011	428,644	692,487	263,843	63%	126,536	223%
January 1, 2012	453,422	721,195	267,773	63%	126,239	212%

SCHEDULE OF FUNDING PROGRESS
ALAMEDA-CONTRA COSTA TRANSIT EMPLOYEES' POST EMPLOYMENT BENEFITS OTHER THAN PENSION (UNAUDITED)
YEAR ENDED JUNE 30, 2013
(In Thousands)

A. ATU Local 192 Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
June 30, 2010	$ 8,895	$ 70,574	$ 61,679	13%	$ 120,000	52%
June 30, 2012	8,542	80,381	71,839	11%	103,858	69%
June 30, 2013	6,237	81,355	75,118	8%	110,995	68%

B. Retiree Benefits Non-Trust Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
June 30, 2010	$ -	$ 25,328	$ 25,328	0%	$ 130,000	20%
June 30, 2012	-	28,498	28,498	0%	111,792	26%
June 30, 2013	-	31,930	31,930	0%	117,641	27%

Other Supplementary Information

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARATIVE SCHEDULES OF FUND NET POSITION
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 95,891	$ 129,423
Restricted cash and cash equivalents	71,829	42
Receivables:		
Federal and local grants:		
Capital	18,946	6,064
Planning, operating and other	2,250	19,692
Property tax	10,799	9,823
Local sales tax	8,076	7,790
Other, principally trade receivables	3,358	3,760
Total receivables - net	43,429	47,129
Due from Pension Trust Fund	3,672	3,348
Inventories at average cost	12,164	10,963
Prepaid expenses	3,089	3,513
Total current assets	230,074	194,418
NONCURRENT ASSETS:		
Restricted for certificates of participation:		
Cash and cash equivalents (Note 3)	2,488	2,488
Capital assets (Note 4):		
Nondepreciable	32,394	28,392
Depreciable, net	199,374	190,940
Total capital assets, net	231,768	219,332
Total noncurrent assets	234,256	221,820
Total assets	464,330	416,238
LIABILITIES AND DEFERRED INFLOWS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	12,513	17,148
Accrued salaries and wages	1,628	1,361
Current portion of accrued vacation and sick leave	14,974	15,093
Due to Pension Trust Fund	3,442	3,293
Other accrued liabilities	4,804	5,315
Accrued interest payable	604	1,314
Unearned revenue	5,555	7,522
Current portion of OPEB obligation	1,276	232
Current portion of claims liabilities	14,873	12,010
Current portion of remediation obligations	186	248
Current portion of certificates of participation	3,034	1,626
Total current liabilities	62,889	65,162
NONCURRENT LIABILITIES:		
Accrued vacation and sick leave	7,476	7,023
OPEB obligation	5,101	2,295
Claims liabilities	40,608	42,330
Remediation obligations	1,467	1,346
Certificates of participation	27,777	30,616
Total noncurrent liabilities	82,429	83,610
Total liabilities	145,318	148,772
NET POSITION		
Net investment in capital assets	202,095	187,570
Restricted for capital purchases	74,531	46,893
Restricted for debt service	1,605	1,174
Unrestricted	40,781	31,829
TOTAL NET POSITION	$ 319,012	$ 267,466

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

(In thousands)

	2013	2012
OPERATING REVENUES:		
Passenger fares	$ 50,357	$ 49,125
Contract services	8,330	8,021
Other	4,720	3,408
Total operating revenues	63,407	60,554
OPERATING EXPENSES:		
Operator wages	58,526	58,384
Other wages	46,363	48,328
Fringe benefits	116,849	117,593
Depreciation	35,420	37,899
Fuel and oil	18,613	18,593
Other material and supplies	12,393	13,913
Services	26,593	20,547
Insurance	11,529	9,262
Net expenses of joint venture	2,249	11,396
Other	7,842	14,164
Total operating expenses	336,377	350,079
Operating loss	(272,970)	(289,525)
NONOPERATING REVENUES (EXPENSE):		
Operating assistance:		
Property taxes	108,799	100,150
Local sales tax	58,683	54,609
Local funds	66,745	60,901
Federal	12,070	32,458
State	15,953	13,193
Gain (loss) on sale of capital assets	(1,175)	(293)
Interest income	764	585
Interest expense	(1,338)	(1,720)
Net nonoperating revenues	260,501	259,883
Loss before capital contributions	(12,469)	(29,642)
CAPITAL CONTRIBUTIONS	64,015	47,878
CHANGE IN NET POSITION	51,546	18,236
NET POSITION beginning of year	267,466	250,525
Restatement due to implementation of GASB 65		(1,295)
NET POSITION end of year	$ 319,012	$ 267,466

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARATIVE SCHEDULES OF CASH FLOWS
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 58,687	$ 57,146
Cash payments to suppliers for goods and services	(79,128)	(72,959)
Cash payments to employees for services	(222,276)	(223,554)
Other operating receipts	3,155	5,128
Net cash used in operating activities	(239,562)	(234,239)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating assistance received	278,430	271,834
Principal paid on notes payable		
Interest paid on notes payable	(205)	(205)
Net cash provided by noncapital financing activities	278,225	271,629
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(49,161)	(15,298)
Capital contributions from grants	51,133	54,762
Proceeds from sale of capital assets	130	(134)
Principal paid on certificates of participation	(1,650)	(4,729)
Interest paid on certificates of participation	(1,221)	(1,475)
Net cash provided by (used in) capital and related financing activities	(769)	33,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received on investments	361	585
Net cash provided by investing activities	361	585
CHANGE IN CASH AND CASH EQUIVALENTS	38,255	71,101
CASH AND CASH EQUIVALENTS, beginning of year	131,953	60,852
CASH AND CASH EQUIVALENTS, end of year	$ 170,208	$ 131,953
SUMMARY OF CASH AND CASH EQUIVALENTS AND INVESTMENTS REPORTED ON THE STATEMENT OF NET ASSETS:		
Cash and cash equivalents (unrestricted)	$ 95,891	$ 129,423
Restricted cash and cash equivalents	74,317	2,530
Total cash and cash equivalents reported on the statement of net assets	$ 170,208	$ 131,953
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (272,970)	$ (289,525)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	35,420	37,899
Effect of changes in assets and liabilities:		
Receivables	402	(632)
Inventories	(1,201)	189
Due from Pension Trust Fund	(324)	(238)
Prepaid expenses and OPEB asset	424	1,070
Accounts payable and accrued expenses	(4,635)	6,067
Accrued salaries and wages	267	(854)
Accrued vacation and sick leave	(119)	325
Unearned revenue	(1,967)	2,352
Due to Pension Trust Fund	149	484
Other accrueds	(511)	1,034
Long term liabilities	5,503	7,590
Net cash used in operating activities	$ (239,562)	$ (234,239)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGETARY BASIS - BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(In thousands)

	2013	2012
OPERATING REVENUES:		
Passenger fares	$ 52,976	$ 51,323
Bart transfers	2,460	2,855
Contract services	5,875	4,873
Advertising	1,819	1,174
Interest income	72	34
Other	3,952	2,234
Total operating revenues	67,154	62,493
SUBSIDIES		
Property taxes	79,360	70,882
Property taxes - Measure VV	29,439	29,269
Local sales tax - Measure B	24,656	23,038
Local sales tax - Measure J	3,978	3,522
Local operating assistance	15,329	12,101
State - AB11107	34,812	32,501
State - AB2972 Home to School	2,000	2,225
State - TDA	57,282	52,840
State - STA	20,235	12,780
State operating assistance other	3,882	(20)
Federal operating assistance	13,157	33,111
Total subsidies	284,130	272,249
Total revenue & subsidies	351,284	334,742
EXPENSES:		
Operator wages	58,525	58,384
Other wages	46,362	48,328
Fringe benefits	77,837	78,968
Pension expense	39,013	38,625
Services	26,592	20,547
Fuel and lubricants	18,613	18,593
Office/printing supplies	461	535
Other materials and supplies	12,817	13,378
Utilities	2,413	2,577
Insurance	11,528	9,262
Expenses of joint venture	26,754	24,238
Other expenses	5,719	11,587
Interest expense	653	1,847
Total expenses	327,287	326,869
Net revenues	23,997	7,873
Capital contributions	64,015	47,878
Depreciation	(35,420)	(37,899)
Excess of revenues over expenses	$ 52,592	$ 17,852.00

See accompanying notes to other supplementary information.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
SCHEDULE OF REVENUES, SUBSIDIES AND EXPENSES, BUDGET VERSUS ACTUAL
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:			
Passenger fares	$ 52,976	$ 50,433	$ 2,543
Bart Transfers	2,460	2,460	0
Contract services	5,875	4,399	1,476
Advertising	1,819	1,150	669
Interest income	72	50	22
Other	3,952	2,498	1,454
Total operating revenues	67,154	60,990	6,164
SUBSIDIES			
Property taxes	79,360	73,002	6,358
Property taxes - Measure VV	29,439	29,241	198
Local sales tax - Measure B	24,656	23,757	899
Local sales tax - Measure J	3,978	3,938	40
Local operating assistance	15,329	12,655	2,674
State - AB1107	34,812	33,800	1,012
State - AB2972 Home to School	2,000	2,000	-
State - TDA	57,282	53,175	4,107
State - STA	20,235	21,304	(1,069)
State operating assistance other	3,882		3,882
Federal operating assistance	13,157	22,291	(9,134)
Total subsidies	284,130	275,163	8,967
Total revenue & subsidies	351,284	336,153	15,131
EXPENSES:			
Operator wages	58,525	60,176	1,651
Other wages	46,362	47,789	1,427
Fringe benefits	77,837	73,547	(4,290)
Pension expense	39,013	39,137	124
Services	26,592	22,126	(4,466)
Fuel and lubricants	18,613	20,145	1,532
Office/printing supplies	461	634	173
Other materials and supplies	12,817	14,866	2,049
Utilities	2,413	3,037	624
Insurance	11,528	9,535	(1,993)
Purchased transportation	26,754	26,759	5
Other expenses	5,719	6,222	503
Interest expense	653	1,741	1,088
Total operating expenses	327,287	325,714	(1,573)
Excess of revenues over expenses	23,997	$ 10,439	$ 13,558
Depreciation and amortization	(35,420)		
Capital contributions	64,015		
Change in net position	$ 52,592		

See accompanying notes to other supplementary information.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
BUSINESS-TYPE ACTIVITY - ENTERPRISE FUND - TRANSIT ONLY
FOR THE YEAR ENDED JUNE 30, 2013
(In thousands)

	Special Transit District 1	Special Transit District 2	Total
REVENUES:			
Passenger fares	$ 50,136	$ 2,840	$ 52,976
BART transfers	2,328	132	2,460
Contract services	5,602	273	5,875
Advertising	1,606	213	1,819
Interest income	64	8	72
Other	3,490	462	3,952
Total operating revenues	63,226	3,928	67,154
SUBSIDIES			
Property taxes	63,481	15,879	79,360
Property taxes - Measure VV	29,439		29,439
Local sales tax - Measure B	22,804	1,852	24,656
Local sales tax - Measure J	3,978		3,978
Local operating assistance	13,537	1,792	15,329
State - AB1107	34,812		34,812
State - AB2972 Home to School	2,000		2,000
State - TDA	47,198	10,084	57,282
State - STA	17,613	2,622	20,235
State operating assistance	3,882		3,882
Federal operating assistance	11,674	1,483	13,157
Total subsidies	250,418	33,712	284,130
Total revenues and subsidies	313,644	37,640	351,284
EXPENSES:			
Operator wages	52,503	6,022	58,525
Other wages	40,939	5,423	46,362
Fringe benefits	69,345	8,492	77,837
Pension	34,757	4,256	39,013
Services	24,142	2,450	26,592
Fuel and lubricants	16,436	2,177	18,613
Office/printing supplies	407	54	461
Bus parts/maintenance supplies	11,318	1,499	12,817
Utilities	2,131	282	2,413
Insurance	10,180	1,348	11,528
Purchased transportation	24,047	2,707	26,754
Other expenses	5,050	669	5,719
Interest Expense	582	71	653
Depreciation	31,277	4,143	35,420
Total expenses	323,114	39,593	362,707
Income (loss) before capital contributions	(9,470)	(1,953)	(11,423)
Capital contributions	63,794	221	64,015
Change in net position	$ 54,324	$ (1,732)	$ 52,592

See accompanying notes to other supplementary information.

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Budgetary Basis of Accounting

The District's fiscal policies establish the framework for the management and control of the District's resources to ensure that the District remains fiscally sound. The District's goals and policies, which are approved by the Board of Directors, determine where and how District resources should be dedicated. For this reason, District goals, objectives, short and long-range planning and performance analyses are incorporated into the budget development process.

It is the policy of the District that the Board of Directors approves an annual budget prior to the beginning of each fiscal year. The budget is developed generally using the accrual basis of accounting. See the following section for a reconciliation of budget versus generally accepted accounting principles.

Budgetary Basis Differences

As discussed in Note 2, the accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the differences between GAAP and budgetary basis:

- Perspective differences resulting from the Corporation and the Paratransit operations not budgeted.
- Capital outlay presented represents capital outlay funded by the District's operations and this is reported as an outflow of budgetary resources but is not considered an expense for financial reporting purposes.
- Depreciation on capital assets funded by District operations is not budgeted, as it is not an outflow of budgetary resources.

The effect of these differences between budgetary and GAAP accounting on the June 30, 2013basic financial statements of the District's budgeted fund is as follows (in thousands):

Increase in net position on GAAP basis	$51,546
Perspective difference	1,046
Increase in net position on the budgetary basis	$52,592

Schedule of Revenues and Expense by Service Area

As discussed in note 1 to the financial statements, the District's basic financial statements include the financial activities of the District's Special Transit Service Districts No. 1 and No. 2. The amounts recorded in this schedule do not reflect paratransit activity and activity of the AC Transit Financing Corporation. The District's revenues between these Special Transit Service Districts are allocated based predominantly either on estimated actual revenues, farebox revenue allocations or on a ratio that uses service hours and service miles in Special Transit Service Districts No. 1 and No. 2. The District's expenses between these Special Transit Districts are allocated based predominantly either on operator wages or on a ratio that uses service hours and service miles in both Special Transit Service Districts No. 1 and No. 2.