SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS

June 30, 2019

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Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
San Luis Obispo Regional Transit Authority
San Luis Obispo, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the of San Luis Obispo Regional Transit Authority (Agency) as of and for the fiscal year ended June 30, 2019, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Luis Obispo Regional Transit Authority, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability on page 22, and the Schedule of Pension Contributions on page 23, Schedule of Changes in the OPEB Liability and Related Ratios on page 24, and the Schedule of OPEB Contributions on page 25 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the San Luis Obispo Regional Transit Authority's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the San Luis Obispo Regional Transit Authority 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2020, on our consideration of the San Luis Obispo Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

March 4, 2020
Santa Maria, California

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019

	2019	2018
ASSETS		
Current assets:		
Cash and investments	$ 4,622,063	$ 3,403,077
Accounts receivable		486,097
Intergovernmental receivables	225,867	108,660
Grants receivable	3,345,791	1,962,471
Prepaid items	139,162	154,006
Inventory at cost	207,087	205,224
Total current assets	8,539,970	6,319,535
Capital assets:		
Nondepreciable:		
Land	1,512,602	1,512,602
Construction in progress	1,313,149	336,279
Depreciable:		
Buildings and improvements	5,795,474	5,735,965
Equipment and vehicles	18,169,478	16,809,930
Less accumulated depreciation	(11,762,358)	(12,115,260)
Total net capital assets	15,028,345	12,279,516
Total assets	23,568,315	18,599,051
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	304,724	380,297
Deferred OPEB	5,079	
Total deferred outflows of resources	309,803	380,297
LIABILITIES		
Current liabilities:		
Accounts payable	848,629	324,185
Accrued payroll	409,537	382,414
Unearned revenue	5,531,202	4,382,178
Compensated absences	52,215	
Loan payable		200,596
Total current liabilities	6,841,583	5,289,373
Noncurrent liabilities:		
Compensated absences	156,646	206,884
Other post-employment benefits	129,047	122,838
Net pension liability	598,258	628,213
Pension plan exit liability	2,775,642	
Loan payable		11,707
Total noncurrent liabilities	3,659,593	969,642
Total liabilities	10,501,176	6,259,015
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	25,935	24,078
Deferred OPEB	4,353	5,343
Total deferred inflows of resources	30,288	29,421
NET POSITION		
Net investment in capital assets	15,028,345	12,067,213
Unrestricted	(1,681,691)	623,699
Total net position	$ 13,346,654	$ 12,690,912

The notes to basic financial statements are an integral part of this statement.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2019	2018
Operating Revenues:		
Passenger fares	$ 1,367,564	$ 1,437,854
Other operating revenue	137,348	123,334
Total operating revenues	1,504,912	1,561,188
Operating Expenses:		
Transit operating expenses	8,668,109	8,136,150
Administration and financial services	1,690,076	1,658,049
Depreciation	2,171,733	2,043,637
Total operating expenses	12,529,918	11,837,836
Operating loss	(11,025,006)	(10,276,648)
Non-Operating Revenues (Expenses):		
Transportation Development Act funds	6,200,274	5,193,057
Federal and State grants	3,092,942	3,059,203
Interest income	43,473	19,636
Fees and reimbursements from other governmental agencies	124,660	119,270
Gain/(loss) on disposal of capital assets	(67,452)	5,894
Interest expense	(7,457)	(19,249)
Total non-operating revenues (expenses)	9,386,440	8,377,811
Capital Contributions:		
Federal capital grants	3,852,028	643,595
State capital grants	1,135,986	523,277
Local capital grants		3,054
Total capital contributions	4,988,014	1,169,926
Special Item		
CalPERS pension plan exit	(2,775,642)	
Total special items	(2,775,642)	
Change in net position	573,806	(728,911)
Net position, beginning of fiscal year	12,690,912	13,519,668
Prior period adjustment	81,936	(99,845)
Net position, beginning of fiscal year, restated	12,772,848	13,419,823
Net position, end of fiscal year	$ 13,346,654	$ 12,690,912

The notes to basic financial statements are an integral part of this statement.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2019	2018
Cash Flows From Operating Activities:		
Receipts from customers	$ 2,344,871	$ 1,245,351
Payments to employees	(6,103,067)	
Payments to suppliers	(4,013,716)	(9,595,213)
Net cash used by operating activities	(7,771,912)	(8,349,862)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of property, plant, and equipment	(4,988,014)	(1,169,926)
Principal paid - loan payable	(212,303)	(200,595)
Interest expense	(7,457)	(19,249)
Capital grants received	4,988,014	1,169,926
Sale of capital assets		34,877
Net cash used by capital and related financing activities	(219,760)	(184,967)
Cash Flows from Noncapital Financing Activities:		
Grants received	9,042,525	9,353,719
Fees and reimbursements	124,660	119,270
Net cash provided by noncapital financing activities	9,167,185	9,472,989
Cash Flows From Investing Activities:		
Interest income	43,473	19,636
Net cash provided by investing activities	43,473	19,636
Net increase in cash and cash equivalents	1,218,986	957,796
Cash and cash equivalents, beginning of fiscal year	3,403,077	2,445,281
Cash and cash equivalents, end of fiscal year	$ 4,622,063	$ 3,403,077

The notes to basic financial statements are an integral part of this statement.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2019	2018
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (11,025,006)	$ (10,276,648)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	2,171,733	2,043,637
Change in operating assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	839,959	(315,837)
Prepaid items	14,844	(97,677)
Inventory	(1,863)	22,267
Deferred outflows	70,494	(5,212)
Accounts payable	252,518	138,604
Accrued payroll	27,123	204,272
Unearned revenue	(100,812)	(149,008)
Customer deposits		(27,703)
Other post-employment benefits	6,209	(6,528)
Net pension liability	(29,955)	84,350
Compensated absences	1,977	45,283
Deferred Inflows	867	(9,662)
Net cash used by operating activities	$ (7,771,912)	$ (8,349,862)

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - REPORTING ENTITY

San Luis Obispo Regional Transit Authority (the Agency) is a Joint Powers Agency created by a joint powers agreement among the Cities of San Luis Obispo, Morro Bay, Atascadero, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, and the County of San Luis Obispo.

The purpose of the Agency is to operate a fixed route public transportation system linking San Luis Obispo to the outlying communities of Morro Bay, Los Osos, Arroyo Grande, El Paso de Robles, Grover Beach, Pismo Beach, Atascadero, Cambria, San Simeon, Nipomo, Santa Maria, Templeton, Santa Margarita, and San Miguel, along with Cuesta College and California Men's Colony. The Agency also owns, operates, and administers a countywide public demand responsive transportation system that is fully accessible for disabled riders. On August 1, 2009, the Agency began in-house vehicle operations and maintenance. Prior to August 1, 2009, a private transportation company provided these services.

The Agency is governed by a Board of Directors comprised of twelve members representing each of the seven cities, in addition to the five members of the County Board of Supervisors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies - The accounting policies of the Agency conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants (AICPA).

B. Accounting Method - The Agency follows the accrual method of accounting, whereby revenues are recorded as earned, and expenses are recorded when incurred regardless of the timing of related cash flows.

C. Cash and Cash Equivalents - For purposes of the statement of cash flows, cash and cash equivalents include restricted and unrestricted cash and restricted and unrestricted certificates of deposit with original maturities of three months or less.

D. Accounts Receivable - The Agency did not experience any significant bad debt losses; accordingly, no provision has been made for doubtful accounts, and accounts receivable are shown at full value.

E. Inventory - Inventories are valued at the lower of cost or market. Cost is determined using the first-in, first-out method.

F. Property, Plant, and Equipment - Capital assets purchased by the Agency are recorded at cost. Contributed or donated capital assets are recorded at fair value when acquired. Capital assets are defined by the Agency as assets with initial, individual costs of more than $1,000 and estimated useful life in excess of two years.

G. Depreciation - Capital assets purchased by the Agency are depreciated over their estimated useful lives (ranging from 3-15 years) under the straight-line method of depreciation.

H. Compensated Absences - Accumulated unpaid employee vacation and sick leave benefits are recognized as liabilities of the Agency.

I. Revenue Recognition - The Agency's primary source of revenues include passenger fares, State Transit Assistance funds, and Local Transportation Fund/Transportation Development Act (TDA) allocations made to the participating members, but assigned by the members to this Agency for its sole use. The San Luis Obispo Council of Governments administers the State Transit Assistance and Transportation Development Act funds, approves claims for such funds submitted by this Agency, and makes payments to the Agency based upon such claims.

   Generally, amounts due from other governments are recorded as revenues when earned. However, when the expenditure of funds is the prime factor for determining eligibility for grants, revenue is accrued when the related expenditures have been made on an approved grant. The Agency recognizes as revenues the amounts allocated and approved to it by San Luis Obispo Council of Governments.

J. Net Position - GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

   Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates -The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the AICPA, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the San Luis Obispo Regional Transit Authority's California Public Employee's Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has one item which qualifies for reporting in this category; refer to Note 10 for a detailed listing of the deferred outflows of resources the District has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 10 and 11 for a detailed listing of the deferred inflows of resources the District has reported.

N. Comparative Data/Totals Only – Comparative total data for the prior fiscal year has been presented in certain accompanying financial statements in order to provide an understanding of the changes in the Agency's financial position, operations, and cash flows. Also, certain prior fiscal amounts have been reclassified to conform to the current fiscal year financial statements presentation.

O. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interests-an Amendment of GASB Statements No. 14 and No. 61"	The provisions of this statement are effective for fiscal years beginning after December 15, 2018.
Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2019 the Agency had the following cash and investments on hand:

Cash on hand and in banks	$ 812,815
Investments	3,809,248
Total cash and investments	$ 4,622,063

Cash and investments listed above are presented on the accompanying basic financial statements as follows:

Cash and investments, statement of net position	$ 4,622,063

The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Agency's investments are in the San Luis Obispo Investment Pool which is an external investment pool which is not valued under level 1, 2, or 3.

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Agency by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	10%	5%
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Investment Pool	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Agency's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table, that shows the distribution of the Agency's investments by maturity:

		Remaining Maturity (in Months)			
Investment Type	Carrying Amount	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
San Luis Obispo County Investment Pool	$ 3,809,248	$ 3,809,248	$ -	$ -	$ -
Total	$ 3,809,248	$ 3,809,248	$ -	$ -	$ -

NOTE 3 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	Rating as of Fiscal Year End: AAA	AA	Not Rated
San Luis Obispo County Investment Pool	$ 3,809,248	N/A	$ -	$ -	$ -	$ 3,809,248
Total	$ 3,809,248		$ -	$ -	$ -	$ 3,809,248

Concentration of Credit Risk

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

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Agency will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The Agency may waive collateral requirements for deposits which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Cash held by San Luis Obispo County).

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases	Decreases	Reclass	Balance June 30, 2019
Capital assets, not being depreciated					
Land	$ 1,512,602	$ -	$ -	$ -	$ 1,512,602
Construction in progress	336,279	976,870			1,313,149
Total capital assets, not being depreciated	$ 1,848,881	$ 976,870	$ -	$ -	$ 2,825,751
Capital assets, being depreciated					
Building and improvements	$ 5,735,965	$	$	$ 59,509	$ 5,795,474
Vehicles and equipment	16,809,930	4,011,144	2,592,087	(59,509)	18,169,478
Total capital assets, being depreciated	22,545,895	4,011,144	2,592,087		23,964,952
Less accumulated depreciation for:					
Building, improvements, vehicles and equipment	12,115,260	2,171,733	2,524,635		11,762,358
Total accumulated depreciation	12,115,260	2,171,733	2,524,635		11,762,358
Total capital assets, being depreciated, net	$ 10,430,635	$ 1,839,411	$ 67,452	$ -	$ 12,202,594
Governmental activities, capital assets, net	$ 12,279,516	$ 2,816,281	$ 67,452	$ -	$ 15,028,345

Depreciation expense for the fiscal year ended June 30, 2019, was $2,171,733. The depreciation expense for the fiscal year ended June 30, 2018, was $2,043,637.

NOTE 5 - UNEARNED REVENUE

	2019	2018
TDA Local Transportation Funds	$ 3,561,431	$ 3,760,428
The Agency received an advance from developers for construction of bus stops as a condition imposed by the County Board of Supervisors. These funds are deferred until the bus stops have been constructed.	45,688	38,688
The Agency distributes Universal bus passes to Social Services and the general public as part of a "Welfare to Work Program." These funds are deferred revenue until they are tendered or redeemed.	(15,649)	85,163
Prop 1B funding	1,406,100	497,899
STA SB1 State of Good Repair funding	351,772	
TDA Article 4.5 funds	181,860	
Total unearned revenues	$ 5,531,202	$ 4,382,178

NOTE 6 - OPERATING SUBSIDIES FROM LOCAL TRANSPORTATION AND STATE TRANSIT ASSISTANCE FUNDS

The County was allocated the following funds from the Local Transportation Fund (LTF) and State Transit Assistance Fund for the fiscal years ended June 30, 2019 and 2018:

Allocation Assigned By/Claimant	Article/ Section	Amount 2019	Amount 2018
Local Transportation Fund:			
City of Arroyo Grande	4 / 99260(a)	$ 201,449	$ 201,105
City of San Luis Obispo	4 / 99260(a)	699,012	694,798
County of San Luis Obispo	4 / 99260(a)	2,274,098	2,245,334
City of Grover Beach	4 / 99260(a)	152,631	151,949
City of Morro Bay	4 / 99260(a)	122,237	121,609
City of Atascadero	4 / 99260(a)	350,969	350,230
City of El Paso de Robles	4 / 99260(a)	919,046	916,356
City of Pismo Beach	4 / 99260(a)	93,671	92,789
Total LTF		4,813,113	4,774,170
State Transit Fund:			
Regional Transit Authority	6.5 / 99313	958,167	1,362,706
Regional Transit Authority	6.5 / 99314	84,044	85,064
Total STF		1,042,211	1,447,770
Subtotal		5,855,324	6,221,940
Add: Recognition of prior fiscal year unearned revenues		3,760,428	2,807,942
Less: Current fiscal year unearned revenues		(3,561,431)	(3,760,428)
Total TDA Allocation		$ 6,054,321	$ 5,269,454

Transit system operating subsidies are earned by the County to the extent that it has incurred eligible operating expenses. Eligible expenses compared to the subsidies received and accrued were as followed:

	2019	2018
Operating and interest expenses	$ 12,537,375	$ 11,857,085
Add:		
Capital purchases with LTF and STF	286,533	76,397
Less:		
Depreciation	(2,171,733)	(2,043,637)
Fare revenues	(1,367,564)	(1,437,854)
Special events and other revenues	(137,348)	(123,334)
Federal and state operating grants	(3,092,942)	(3,059,203)
Maximum total allocation amount	6,054,321	5,269,454
TDA allocations received and accrued	5,855,324	6,221,940
Change in TDA transit allocations in unearned revenues	198,997	(952,486)
Allocation over/(under) maximum	$ -	$ -

NOTE 7 - FARE REVENUE RATIO

The Agency had fare revenue ratios for the fiscal year ended June 30, 2019 as computed as follows:

	Fixed Route	Runabout	Paso Express	Paso Dial a Ride
(a) Operating fare revenues	$ 1,031,700	$ 162,618	$ 136,762	$ 5,909
(b) Operating expenses, net of depreciation	5,702,031	3,271,234	707,777	126,587
(c) Fare revenue ratio [(a) / (b)]	18.09%	4.97%	19.32%	4.67%
Minimum ratio required	15.80%	N/A	15.00%	N/A
Under minimum ratio requirement	N/A	N/A	N/A	N/A

	Nipomo	Cambria Trolley	Avila Trolley
(a) Operating fare revenues	$ 21,789	$ -	$ 8,786
(b) Operating expenses, net of depreciation	470,282	5,891	74,383
(c) Fare revenue ratio [(a) / (b)]	4.63%	0.00%	11.81%
Minimum ratio required	N/A	10.00%	15.00%
Under minimum ratio requirement	N/A	10.00%	3.19%

The Agency had fare revenue ratios for the fiscal year ended June 30, 2018 as computed as follows:

	Fixed Route	Runabout	Paso Express	Paso Dial a Ride
(a) Operating fare revenues	$ 1,096,922	$ 154,035	$ 137,891	$ 6,598
(b) Operating expenses, net of depreciation	5,318,245	3,125,333	698,731	136,533
(c) Fare revenue ratio [(a) / (b)]	20.63%	4.93%	19.73%	4.83%
Minimum ratio required	17.36%	N/A	17.36%	15.00%
Under minimum ratio requirement	N/A	N/A	N/A	10.17%

	Nipomo	Cambria Trolley	Avila Trolley
(a) Operating fare revenues	$ 34,270	$ -	$ 8,138
(b) Operating expenses, net of depreciation	438,403	5,472	71,482
(c) Fare revenue ratio [(a) / (b)]	7.82%	0.00%	11.38%
Minimum ratio required	10.00%	10.00%	17.36%
Under minimum ratio requirement	2.18%	10.00%	5.98%

The Agency was in compliance with applicable TDA regulations pertaining to acceptable fare revenue ratios for routes encompassing both urbanized and non-urbanized areas which require a minimum ratio of 17.15% blended rate as approved by San Luis Obispo Council of Governments. The fare revenue ratios for the Cambria Trolley and Avila Trolley are under their various minimum required ratios. When the fare revenue ratio is under the minimum requirement for two consecutive years, there is a potential for a reduction in future TDA eligibility for the difference between the required minimum and actual fares in accordance with Public Utilities Code Section 99268.9 and CCR Section 6633.9, unless waived by the San Luis Obispo Council of Governments.

NOTE 8 - LONG TERM LIABILITIES

	Balance July 1, 2018	Increases	Decreases	Balance at June 30, 2019 Total	Current	Long Term
Vacation	$ 162,081	$ 287,355	$ 240,575	$ 208,861	$ 52,215	$ 156,646
Sick leave	44,803		44,803			
Loan payable	212,303		212,303			
Other post-employment benefits	122,838	12,932	6,723	129,047		129,047
Net pension liability	628,213	2,866,698	121,011	598,258		598,258
Pension plan exit liability		2,775,642		2,775,642		2,775,642
Total	$ 1,170,238	$ 5,942,627	$ 625,415	$ 3,711,808	$ 52,215	$ 3,659,593

NOTE 9 - LOAN PAYABLE

The Agency entered into a loan with Rabobank on June 1, 2011. The original balance of the loan was $3,082,621. A prepayment of $799,168 in principal was made on January 29, 2014. The loan was refinanced with Rabobank for $1,512,183 on March 24, 2014 with a fixed interest rate of 5.75%. Payment on the loan is due in variable monthly interest payments which began on April 1, 2014 and budgeted principal payments of $100,298 beginning April 30, 2014, with all outstanding principal plus accrued unpaid interest originally due on April 30, 2021. The Agency decided to pay the loan off early and made the final payment in May of 2019.

NOTE 10 - PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). A full description of the assumptions for funding purposes, but not accounting purposes, and membership information is listed in the June 30, 2018 GASB Statement No. 68 actuarial valuation report for the Miscellaneous risk pool. Details of the benefits provided can be obtained from Appendix B of the June 30, 2017 actuarial valuation report for the CalPERS Miscellaneous risk pool. This report is a publicly available valuation report that can be obtained at CalPERS' website under Forms and Publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 50 and PEPRA members with five years of total service are eligible to retire at age 52, with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52-67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	9.409% + $48,439	6.842% + $563

NOTE 10 - PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Agency is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the Authority were $121,671 for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the Agency reported a liability of $598,258 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The Agency's proportionate share of the net pension liability for the miscellaneous plan as of June 30, 2017, and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	0.01594%
Proportion - June 30, 2018	0.01587%
Change - Increase (Decrease)	-0.00007%

For the year ended June 30, 2019, the Agency recognized pension expense of $169,147. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 121,671	$ -
Differences between expected and actual experience	22,954	7,811
Changes in assumptions	68,203	16,715
Net difference between projected and actual earnings on retirement plan investments	2,958	
Adjustment due to differences in proportions	34,086	1,409
Difference in actual contributions and proportionate share of contributions	54,852	
	$ 304,724	$ 25,935

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

$121,671 was reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

NOTE 10 - PENSION PLAN (Continued)

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

Fiscal Year Ending June 30,		Amount
2020	$	106,366
2021		65,717
2022		(9,584)
2023		(5,381)
	$	157,118

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality	Derived using CalPERS' Membership Data for all Funds (1)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.50% thereafter

(1) The mortality table used was developed based on CalPERs' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table please refer to the December 2017 experience study report.

Change in Assumptions

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the Public Employees' Retirement Fund (PERF). The mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increase and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

NOTE 10 - PENSION PLAN (Continued)

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

Discount Rate (Continued)

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

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

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100.0%		

(a) An expected inflation of 2.00% was used for this period.
(b) An expected inflation of 2.92% was used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following represents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Agency's proportionate share of the net pension plan liability	$ 980,063	$ 598,258	$ 283,085

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to Pension Plan

As of June 30, 2019, the Agency had a payable of $271,926 to the CalPERS pension plan for past invoices in arrears. In addition, the Agency has begun the process of withdrawing from CalPERS with the latest actuarial anticipating an exit cost of $3,373,900 (as detailed in Note 18) in addition to the invoices in arrears.

NOTE 11 - POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description

Plan administration. The Authority provides post-retirement medical coverage through CalPERS under the Public Employees Medical and Hospital Care Act (PEMHCA), also referred to as PERS Health. There are 12 medical plans in the "Other Southern California" region that participants may elect coverage for. Participants may also receive benefits if outside the region. Findings and assumptions are based on a 50%/50% blend of the PERS Health (PEMHCA) rates for calendar years 2018 and 2019. No assets are accumulated in a trust that meets the criteria in paragraph 4 of *GASB Statement No. 75.* As of August and September 2018, the Authority elected to no longer be part of the PEMHCA. In order to minimize the impact of the transition on current CalPERS retirees, the monthly health contribution of $256 will continue but that contribution will not be extended to any current employees when they retire from the Authority. The RTA has two retirees who elect PERS medical, resulting in an annual fiscal impact of $6,144.

Benefits provided. The Authority offers the same medical plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.

Employees become eligible to retire and receive Authority-paid healthcare benefits upon attainment of age 50 (Classic Plan) or age 52 (New Members/PEPRA Plan) and 5 years of covered PERS service, or by attaining qualifying disability retirement status. Authority's contribution on behalf of retirees is the same as for active employees - 100% of the PEMHCA premium for retiree and covered dependents, but not to exceed $256 per month. Benefits continue for the lifetime of the retiree with survivor benefits extended to surviving spouses for PERS annuitants who elect pension options with survivor benefits. The Authority paid 0.33% of premium administrative fee on behalf of employees through December 31, 2018.

Employees Covered

As of July 1, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the Authority's Plan:

Active plan members	5
Inactive plan members or beneficiaries currently receiving benefilts	2
Total	7

Contributions

The Authority currently finances benefits on a pay-as-you-go basis.

OPEB Liability

The Authority's OPEB Liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2017. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions. The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Inflation rate	3.00%
Healthcare cost trend rate	5.00%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017 with a change in assumptions resulting from a change in the Municipal Bond 20 Year High Grade Index from 3.62% to 3.13%.

Discount rate. GASB Statement No. 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

OPEB Liability (Continued)

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the Authority's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long-term Expected Return of Plan Investments (if any)	Municipal Bond 20 Year High Grade Rate Index	Discount Rate
June 30, 2018	June 30, 2018	4.00%	3.62%	3.62%
June 30, 2019	June 30, 2019	4.00%	3.13%	3.13%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018 (Valuation Date July 1, 2017)	$ 122,838
Changes recognized for the measurement period:	
Service cost	2,469
Interest	4,326
Changes of assumptions	6,137
Contributions - employer	
Net investment income	
Benefit payments	(6,723)
Administrative expense	
Net Changes	6,209
Balance at 30, 2019 (Measurement date June 30, 2019)	$ 129,047

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$ 143,200	$ 129,047	$ 117,005

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	$ 123,651	$ 129,047	$ 135,420

NOTE 11 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of $5,538. As of the fiscal year ended June 30, 2019, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ 5,079	$ 4,353
	$ 5,079	$ 4,353

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal year Ending June 30,	Amount
2020	$ 68
2021	68
2022	68
2023	68
2024	454
	$ 726

NOTE 12 - INSURANCE

The Agency is exposed to various risks of loss related to torts, theft, damage to, or destruction of an asset and errors or omissions. The Agency maintains comprehensive general liability including automobile insurance of $25 million for buses, vans, equipment, and facilities. The Agency also purchases commercial Special Liability Insurance and Special Agency Property Insurance with limits of $25 million per occurrence and $100 million annual aggregate.

NOTE 13 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

At June 30, 2019, deferred inflows and outflows of resources, reported on the Statement of Net Position, consisted of the following:

Deferred Inflows of Resources:	
Pensions	$ 25,935
OPEB	4,353
Total Deferred Inflows	$ 30,288
Deferred Outflows of Resources:	
Pensions	$ 304,724
OPEB	5,079
Total Deferred Outflows	$ 309,803

NOTE 14 - OPERATING LEASE

The Agency has entered into an operating lease for office facilities and bus yard with lease terms in excess of one year. Rent can increase between 1.5% and 5% annually with the lease available through February 2022. Future minimum lease payments under this agreement are budgeted at $476,920 for the next fiscal year.

NOTE 15 - PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B in November 2006, included 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 was made available to project sponsors in California for allocation to eligible public transportation projects for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or rolling stock procurement, rehabilitation, expansion, or replacement. PTMISEA eligibility is based on STA allocations to each project sponsor during the fiscal years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 and were made available during the 2016-17 fiscal years. Qualifying expenditures must be encumbered within three years from the date of allocation and expended within three years from the date of the encumbrance.

Interest earned on funds to date is $44,161 and the Agency received $1,552,446 from past allocations during the year. The Agency had qualifying expenditures incurred under this program from previous allocation totaling $695,615, which was used for bus replacements and electronic fare collection system and is included in State capital grants in the accompanying financial statements.

NOTE 16 - SENATE BILL 1 – STATE OF GOOD REPAIR

The Road Repair and Accountability Act of 2017, Senate Bill (SB) 1 (Chapter 5, Statues of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair (SGR) program. This program provides funding of approximately $105 million annually to the State Transit Assistance (STA) Account. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects.

This program demonstrates California's commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB 1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, and maintenance and rehabilitation of transit facilities and vehicles. These new investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

In the fiscal year ended June 30, 2019, the San Luis Obispo Regional Transit Authority received $517,453 with interest earned on the funding of $7,637. $165,681 was spent this fiscal year on design and engineering services for the bus maintenance facility project.

NOTE 17 - PRIOR-PERIOD ADJUSTMENT

Prior-period adjustments of $81,936 were made to the Statement of Revenues, Expenses, and Changes in Net Position. This adjustment was the result of the following items: $503,201 was made to recognize the FTA Section 5311 grant reimbursement as revenue in the prior-fiscal year in order to match the revenue with the year the expenditures were incurred; ($271,926) to account for CalPERS invoices in arrears for prior contributions, and ($149,339) for the write-off of uncollectable old receivables relating to the ITS system hacking that was settled in June 2019 for less than the receivable recorded.

NOTE 18 – CONTINGENT LIABILITY FOR PENSION PLAN EXIT

The RTA had contracted with the California Public Employees' Retirement System (CalPERS) since 1994, and administrative, management and confidential employees are offered participation in the CalPERS defined benefit retirement program. To reduce potential future financial obligations, the Board adopted a Resolution of Intention to terminate RTA's contract with CalPERS on January 9, 2019. Staff subsequently investigated the cost to terminate the contract and an ad hoc committee appointed by the Board has determined that joining the San Luis Obispo County Pension Trust (SLOCPT) Retirement Plan provides an equivalent retirement program for employees currently enrolled in CalPERS.

As presented at the November 6, 2019 Board meeting, the financial penalty for withdrawing from CalPERS is anticipated to cost approximately $3.374 million, subject to a final actuarial study that will be conducted by CalPERS in early 2020.

NOTE 19 - SUBSEQUENT EVENT

The San Luis Obispo County Board of Supervisors considered the enrollment of the RTA into the SLOCPT Retirement Plan as a Contracting Agency on December 10, 2019. The RTA Board action December 11, 2019 authorized enrollment into the SLOCPT Retirement Plan, effective January 12, 2020. As discussed in Note 18, there will be a $3.374 million cost to withdraw from CalPERS, subject to a final actuarial study that will be conducted by CalPERS in early 2020. A separate resolution authorizing the RTA to pay the withdrawal penalty, according to the payment terms included in a Payment Plan negotiated with CalPERS, will be presented at in early 2020 after the final actuarial is received.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2019

The following table provides required supplementary information regarding the Agency's Pension Plan.

	2019	2018	2017	2016
Proportion of the net pension liability	0.00621%	0.00633%	0.00629%	0.00604%
Proportionate share of the net pension liability	$ 598,258	$ 628,213	$ 543,863	$ 414,886
Covered payroll	$ 1,030,066	$ 932,784	$ 822,150	$ 473,673
Proportionate share of the net pension liability as percentage of covered payroll	58.08%	67.35%	66.15%	87.59%
Plan's total pension liability	$ 38,944,855,364	$ 37,161,348,332	$ 33,358,627,624	$ 31,771,217,402
Plan's fiduciary net position	$ 29,308,589,559	$ 27,244,095,376	$ 24,705,532,291	$ 24,907,305,871
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%

	2015
Proportion of the net pension liability	0.00684%
Proportionate share of the net pension liability	$ 425,837
Covered payroll	$ 345,255
Proportionate share of the net pension liability as percentage of covered payroll	123.34%
Plan's total pension liability	$ 30,829,966,631
Plan's fiduciary net position	$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	79.82%

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

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2017, the discount rate was changed by CalPERS from 7.65 percent to 7.15 percent.

In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

*- Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*
As of June 30, 2019

The following table provides required supplementary information regarding the Agency's Pension Plan.

	2019	2018	2017	2016
Contractually required contribution (actuarially determined)	$ 121,671	$ 120,722	$ 108,461	$ 126,258
Contribution in relation to the actuarially determined contributions	(121,671)	(120,722)	(108,461)	(126,258)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 925,276	$ 1,030,066	$ 932,784	$ 822,150
Contributions as a percentage of covered payroll	13.15%	11.72%	11.63%	15.36%

	2015
Contractually required contribution (actuarially determined)	$ 74,414
Contribution in relation to the actuarially determined contributions	(74,414)
Contribution deficiency (excess)	$ -
Covered payroll	$ 473,673
Contributions as a percentage of covered payroll	15.71%

Notes to Schedule

Valuation Date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2016/2017 were derived from the June 30, 2016 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2016 funding valuation report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.00%
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

In 2018, the discount rate was changed by CalPERS from 7.65 percent to 7.375 percent.

*- Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
As of June 30, 2019

Measurement Period	2019	2018
Total OPEB Liability		
Service cost	$ 2,469	$ 2,583
Interest on the total OPEB liability	4,326	3,945
Actual and expected experience difference		
Changes in assumptions	6,137	(6,333)
Changes in benefit terms		
Benefit payments	(6,723)	(6,723)
Net change in total OPEB Liability	6,209	(6,528)
Total OPEB liability- beginning	122,838	129,366
Total OPEB liability- ending (a)	$ 129,047	$ 122,838
Covered Payroll:	$ 880,054	$ 1,030,061
Total OPEB Liability as a Percentage of Covered Payroll:	14.66%	11.93%

*- Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF OPEB CONTRIBUTIONS
Last 10 Years*
As of June 30, 2019

As of June 30, 2019, the plan is not administered through a qualified trust. Therefore there is no Actuarially Determined Contribution (ADC). Benefit payments of $6,723 were made on a pay-as-you-go basis for the fiscal year ended June 30, 2019.

As of June 30, 2018, the plan is not administered through a qualified trust. Therefore there is no Actuarially Determined Contribution (ADC). Benefit payments of $6,723 were made on a pay-as-you-go basis for the fiscal year ended June 30, 2018.

*- Fiscal year 2018 was the 1st year of implementation, therefore only two years are shown.

SUPPLEMENTARY INFORMATION SECTION

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENSES
BUDGET AND ACTUAL
As of June 30, 2019

	Adopted Budget	Actual	County Services Actual	Variance with Budget
Administration:				
Labor	$ 894,050	$ 595,833	$ -	$ 298,217
Labor - Benefits		223,839		(223,839)
Labor - Administration Workers Comp	65,150	64,365		785
Office Space Rental	458,500	460,186		(1,686)
Property Insurance	19,780	19,721		59
Professional Technical Services	98,480	154,634		(56,154)
Professional Development	46,270	42,932		3,338
Operating Expense	265,450	306,107		(40,657)
Marketing and Reproduction	95,530	80,989		14,541
North County Management Contract	(43,740)	(43,740)		
County Management Contract	(90,130)	(90,130)	97,630	(97,630)
SCT Management Contract	(124,660)	(124,660)		
Total Administration	1,684,680	1,690,076	97,630	(103,026)
Service Delivery:				
Labor - Operations	4,556,490	3,284,581	241,141	1,030,768
Labor - Operations Benefits		991,926		(991,926)
Labor - Operations Worker Comp	440,830	438,094	25,627	(22,891)
Labor - Maintenance	1,033,450	793,126	56,995	183,329
Labor - Maintenance Benefits		207,007		(207,007)
Labor - Maintenance Workers Comp	129,010	127,455	7,461	(5,906)
Fuel	991,560	1,021,026	21,137	(50,603)
Insurance	720,500	707,786	12,679	35
Special Transportation (includes County Programs and Cuesta evenings)	43,900	45,476	44,379	(45,955)
Avila Trolley	61,750	54,894	63,680	(56,824)
Maintenance (parts, supplies, materials)	703,460	504,564	38,058	160,838
Maintenance Contract Costs	129,870	113,283	2,187	14,400
Total Operations	8,810,820	8,289,218	513,344	8,258
Capital/Studies:				
Computer System Maintenance/Upgrades	43,830	33,869		9,961
Miscellaneous Capital				
Maintenance Equipment	25,310			25,310
Specialized Maintenance Tools	85,200			85,200
Desk and Office Equipment	10,000			10,000
Vehicle ITS	61,370	43,991		17,379
Bus Stop Improvements/Bus Stop Solar Lighting	240,820	103,960		136,860
Vehicles				
Support Vehicles	18,000			18,000
40' Coaches	3,140,380	3,144,199		(3,819)
Cutaway and Dial A Ride Vehicles	81,520	83,793	83,793	(86,066)
Runabout Vehicles	729,320	668,692		60,628
Total Capital Outlay	4,435,750	4,078,504	83,793	273,453
Interest Expense	11,640	7,457		4,183
Loan Paydown	211,670	212,303		(633)
Short Range Transit Plan - Nipomo	22,750			22,750
Elks Lane Project	2,671,700	909,510		1,762,190
Management Contracts	258,530	258,530		
Contingency	125,950	120,361		5,589
Special Item - CalPERS Pension Plan Exit		2,775,642		(2,775,642)
TOTAL FUNDING USES	$ 18,233,490	$ 18,341,601	$ 694,767	$ (802,878)
TOTAL EXPENSES, BUDGETARY BASIS		$ 18,341,601		
ADD:				
DEPRECIATION		2,171,733		
LESS:				
CAPITALIZED EXPENSES		(4,988,014)		
LOAN PRINCIPAL PAYMENTS		(212,303)		
NON-OPERATING EXPENSES		(7,457)		
SPECIAL ITEM - CALPERS PENSION PLAN EXIT		(2,775,642)		
TOTAL OPERATING EXPENSES PER FINANCIAL STATEMENTS		$ 12,529,918		