SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY

FINANCIAL STATEMENTS

June 30, 2016

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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, 2016, 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 respective financial position of the San Luis Obispo Regional Transit Authority, as of June 30, 2016, 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 Funding Progress for Post Employment Benefits Other than Pensions on page 21, the Schedule of Proportionate Share of Net Pension Liability on page 22, and the Schedule of Contributions on page 23 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2015, is consistent in all material respects, with the audited financial statements from it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2016, on our consideration of the 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

October 26, 2016
Santa Maria, California

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	2016	2015
ASSETS		
Current assets:		
Cash and investments	$ 3,186,202	$ 3,342,859
Accounts receivable	249,505	110,812
Intergovernmental receivables	2,264,295	2,036,280
Grants receivable	133,144	413,856
Prepaid items	42,878	101,915
Inventory at cost	207,353	200,228
Total current assets	6,083,377	6,205,950
Capital assets:		
Nondepreciable:		
Land	1,512,602	1,512,602
Construction in progress	20,093	
Depreciable:		
Buildings and improvements	4,754,698	4,754,698
Equipment and vehicles	17,248,606	16,360,660
Less accumulated depreciation	(9,997,987)	(8,410,252)
Total net capital assets	13,538,012	14,217,708
Total assets	19,621,389	20,423,658
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	153,557	74,414
Total deferred outflows of resources	153,557	74,414
LIABILITIES		
Current liabilities:		
Accounts payable	237,675	434,048
Accrued payroll	147,189	117,101
Unearned revenue	4,325,762	4,088,461
Customer deposits	27,703	27,703
Loan payable	200,596	200,596
Total current liabilities	4,938,925	4,867,909
Noncurrent liabilities:		
Compensated absences	162,889	154,918
CalPERS side-fund		
Other post-employment benefits	19,025	9,258
Net pension liability	414,886	425,837
Loan payable	412,898	613,494
Total noncurrent liabilities	1,009,698	1,203,507
Total liabilities	5,948,623	6,071,416
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	114,952	106,962
Total deferred inflows of resources	114,952	106,962
NET POSITION		
Net investment in capital assets	12,924,518	13,403,618
Unrestricted	786,853	916,076
Total net position	$ 13,711,371	$ 14,319,694

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, 2016
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015
Operating Revenues:		
Passenger fares	$ 1,422,568	$ 1,436,252
Other operating revenue	43,264	92,579
Total operating revenues	1,465,832	1,528,831
Operating Expenses:		
Transit operating expenses	6,958,862	6,945,220
Administration and financial services	1,550,345	1,517,800
Depreciation	1,874,939	1,690,517
Total operating expenses	10,384,146	10,153,537
Operating loss	(8,918,314)	(8,624,706)
Non-Operating Revenues (Expenses):		
Transportation Development Act funds	4,078,115	3,281,943
Federal and State grants	3,007,851	3,718,017
Interest income	9,864	6,277
Fees and reimbursements from other governmental agencies	79,830	78,760
Loss on disposal of capital assets	(24,248)	(70,405)
Environmental planning	(18,320)	
Interest expense	(42,592)	(65,771)
Total non-operating revenues (expenses)	7,090,500	6,948,821
Capital Contributions:		
Federal capital grants	441,777	3,563,872
State capital grants	374,703	541,884
Local capital grants	403,011	457,456
Total capital contributions	1,219,491	4,563,212
Change in net position	(608,323)	2,887,327
Net position, beginning of fiscal year	14,319,694	11,723,303
Prior period adjustment		(290,936)
Net position, beginning of fiscal year, restated	14,319,694	11,432,367
Net position, end of fiscal year	$ 13,711,371	$ 14,319,694

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, 2016
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015
Cash Flows From Operating Activities:		
Receipts from customers	$ 1,327,139	$ 1,504,388
Payments to suppliers and wages	(8,641,438)	(7,101,344)
Net cash used by operating activities	(7,314,299)	(5,596,956)
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of property, plant, and equipment	(1,219,491)	(4,563,212)
Principal paid - loan payable	(200,596)	(543,130)
Interest expense	(42,592)	(65,771)
Environmental planning	(18,320)	
Capital grants received	1,219,491	4,563,212
Net cash used by capital and related financing activities	(261,508)	(608,901)
Cash Flows from Noncapital Financing Activities:		
Grants received	7,329,456	4,877,070
Fees and reimbursements	79,830	78,760
Net cash provided by noncapital financing activities	7,409,286	4,955,830
Cash Flows From Investing Activities:		
Interest income	9,864	6,277
Net cash provided by investing activities	9,864	6,277
Net (decrease) in cash and cash equivalents	(156,657)	(1,243,750)
Cash and cash equivalents, beginning of fiscal year	3,342,859	4,586,609
Cash and cash equivalents, end of fiscal year	$ 3,186,202	$ 3,342,859

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, 2016
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (8,918,314)	$ (8,624,706)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	1,874,939	1,690,517
Change in operating assets, deferred outflows, liabilities, and deferred inflows:		
Accounts receivable	(138,693)	(110,812)
Prepaid items	59,037	(18,699)
Inventory	(7,125)	38,892
Deferred outflows	(79,143)	(20,163)
Accounts payable	(196,373)	99,699
Accrued payroll	30,088	18,769
Unearned revenue	46,508	1,292,351
Other post-employment benefits	9,767	9,258
Net pension liability	(10,951)	(106,125)
Compensated absences	7,971	27,101
Deferred Inflows	7,990	106,962
Net cash used by operating activities	$ (7,314,299)	$ (5,596,956)

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) plans (Plans) 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 qualify for reporting in this category; refer to Note 13 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 one item which qualify for reporting in this category; refer to Note 13 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. 74	"Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.
Statement No. 77	"Tax Abatement Disclosures"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 78	"Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.
Statement No. 79	"Certain External Investment Pools and Pool Participants"	The provisions of this statement are effective for fiscal years beginning after December 15, 2015.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Future Accounting Pronouncements (continued)

Statement No. 80	"Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provisions of this statement are effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

NOTE 3 - CASH AND INVESTMENTS

On June 30, 2016 the Agency had the following cash and investments on hand:

Cash on hand and in banks	$ 620,657
Investments	2,565,545
Total cash and investments	$ 3,186,202

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

Cash and investments, statement of net position	$ 3,186,202

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

NOTE 3 - CASH AND INVESTMENTS (Continued)

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	$ 2,565,545	$ 2,565,545	$ -	$ -	$ -
Total	$ 2,565,545	$ 2,565,545	$ -	$ -	$ -

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 on the following page 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.

				Rating as of Fiscal Year End		
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt from Disclosure	AAA	AA	Not Rated
San Luis Obispo County Investment Pool	$ 2,565,545	N/A	$ -	$ -	$ -	$ 2,565,545
Total	$ 2,565,545		$ -	$ -	$ -	$ 2,565,545

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, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, not being depreciated				
Land	$ 1,512,602	$ -	$ -	$ 1,512,602
Construction in progress		20,093		20,093
Total capital assets, not being depreciated	$ 1,512,602	$ 20,093	$ -	$ 1,532,695
Capital assets, being depreciated				
Building and improvements	$ 4,754,698	$ -	$ -	$ 4,754,698
Vehicles and equipment	16,360,660	1,199,398	311,452	17,248,606
Total capital assets, being depreciated	21,115,358	1,199,398	311,452	22,003,304
Less accumulated depreciation for:				
Building, improvements, vehicles and equipment	8,410,252	1,874,939	287,204	9,997,987
Total accumulated depreciation	8,410,252	1,874,939	287,204	9,997,987
Total capital assets, being depreciated, net	$ 12,705,106	$ (675,541)	$ 24,248	$ 12,005,317
Governmental activities, capital assets, net	$ 14,217,708	$ (655,448)	$ 24,248	$ 13,538,012

Depreciation expense for the fiscal year ended June 30, 2016, was $1,892,567. The depreciation expense for the fiscal year ended June 30, 2015, was $1,690,517.

NOTE 5 – UNEARNED REVENUE

	2016	2015
TDA Local Transportation Funds	$ 3,246,928	$ 3,127,491
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	38,688	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.	228,626	182,118
Prop 1B funding	811,520	740,164
Total unearned revenues	$ 4,325,762	$ 4,088,461

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, 2016 and 2015:

Allocation Assigned By/Claimant	Article/ Section	Amount 2016	Amount 2015
Local Transportation Fund:			
City of Arroyo Grande	4 / 99260(a)	$ 165,515	$ 187,418
City of San Luis Obispo	4 / 99260(a)	560,478	633,705
County of San Luis Obispo	4 / 99260(a)	1,525,744	1,725,085
City of Grover Beach	4 / 99260(a)	125,593	142,338
City of Morro Bay	4 / 99260(a)	98,121	111,157
City of Atascadero	4 / 99260(a)	273,806	319,079
City of El Paso de Robles	4 / 99260(a)	894,056	1,093,693
City of Pismo Beach	4 / 99260(a)	73,572	83,145
Total LTF		3,716,885	4,295,620
State Transit Fund:			
Regional Transit Authority	6.5 / 99313	589,089	658,230
Regional Transit Authority	6.5 / 99314	66,089	80,926
Total STF		655,178	739,156
Subtotal		4,372,063	5,034,776
Add: Recognition of prior fiscal year unearned revenues		3,127,491	1,665,402
Less: Current fiscal year unearned revenues		(3,246,928)	(3,127,491)
Total TDA Allocation		$ 4,252,626	$ 3,572,687

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:

	2016	2015
Operating and interest expenses	$ 10,426,738	$ 10,219,308
Add:		
Capital purchases with LTF and STF	174,510	290,744
Less:		
Depreciation	(1,874,939)	(1,690,517)
Fare revenues	(1,422,568)	(1,436,252)
Special events and other revenues	(43,264)	(92,579)
Federal and state operating grants	(3,007,851)	(3,718,017)
Maximum total allocation amount	4,252,626	3,572,687
TDA allocations received and accrued	4,372,063	5,034,776
Change in TDA transit allocations in unearned revenues	(119,437)	(1,462,089)
Allocation over/(under) maximum	$ -	$ -

NOTE 7 – FARE REVENUE RATIO

The Agency had fare revenue ratios for the fiscal year ended June 30, 2016 as computed as follows:

	Fixed Route	Runabout	Paso Express	Paso Dial a Ride
(a) Operating fare revenues	$ 1,101,220	$ 132,697	$ 143,323	$ 6,686
(b) Operating expenses, net of depreciation	4,138,388	3,162,810	696,376	110,969
(c) Fare revenue ratio [(a) / (b)]	26.61%	4.20%	20.58%	6.02%
Minimum ratio required	17.15%	N/A	17.15%	15.00%
Under minimum ratio requirement	N/A	N/A	N/A	8.98%

	Nipomo	Cambria Trolley	Avila Trolley
(a) Operating fare revenues	$ 28,824	$ -	$ 8,755
(b) Operating expenses, net of depreciation	337,986	1,828	67,637
(c) Fare revenue ratio [(a) / (b)]	8.53%	0.00%	12.95%
Minimum ratio required	10.00%	10.00%	20.00%
Under minimum ratio requirement	1.47%	10.00%	7.05%

The Agency had fare revenue ratios for the fiscal year ended June 30, 2015 as computed as follows:

	Fixed Route	Runabout	Paso Express	Paso Dial a Ride
(a) Operating fare revenues	$ 1,152,169	$ 123,990	$ 124,556	$ 7,347
(b) Operating expenses, net of depreciation	4,174,178	3,094,340	665,760	115,747
(c) Fare revenue ratio [(a) / (b)]	27.60%	4.01%	18.71%	6.35%
Minimum ratio required	16.70%	N/A	16.70%	15.00%
Under minimum ratio requirement	N/A	N/A	N/A	8.65%

	Nipomo	Cambria Trolley	Avila Trolley
(a) Operating fare revenues	$ 26,790	$ 367	$ 8,171
(b) Operating expenses, net of depreciation	352,581	5,690	53,788
(c) Fare revenue ratio [(a) / (b)]	7.60%	6.45%	15.19%
Minimum ratio required	10.00%	10.00%	20.00%
Under minimum ratio requirement	2.40%	3.55%	4.81%

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 Paso Dial a Ride, Nipomo, 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 DEBT

	Balance July 1, 2015	Increases	Decreases	Balance at June 30, 2016 Total	Current	Long Term
Vacation	$ 122,731	$ 210,395	$ 201,510	$ 131,616	$ -	$ 131,616
Sick leave	32,187	51,993	52,907	31,273		31,273
Loan payable	814,090		200,596	613,494	200,596	412,898
Other post-employment benefits	9,258	15,967	6,200	19,025		19,025
Net pension liability	425,837	74,987	85,938	414,886		414,886
Total	$ 1,404,103	$ 353,342	$ 547,151	$ 1,210,294	$ 200,596	$ 1,009,698

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 due on April 30, 2021. The outstanding principal balance at June 30, 2016, was $613,494.

NOTE 10 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for 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, 2016, 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	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.512%	6.237%

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 $126,258 for the fiscal year ended June 30, 2016.

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

At June 30, 2016, the Agency reported a liability of $414,886 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2014, and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	0.00684%
Proportion - June 30, 2015	0.00604%
Change - Increase (Decrease)	-0.00080%

For the year ended June 30, 2016, the Agency recognized pension expense of $45,472. 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, 2016, 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	$ 126,258	$ -
Differences between expected and actual experience	6,031	-
Changes in assumptions	-	57,060
Net difference between projected and actual earnings on retirement plan investments	-	28,605
Adjustment due to differences in proportions	21,268	1,583
Difference in actual contributions and proportionate share of contributions	-	27,704
	$ 153,557	$ 114,952

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.

$126,258 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, 2017.

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
2017	$	(43,264)
2018		(43,011)
2019		(37,943)
2020		36,565
	$	(87,653)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% 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 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies; 2.75% thereafter

(1) The mortality table used w as developed based on CalPERs' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the 2014 experience study report.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, one of the rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% was used for this period.
(b) An expected inflation of 3.0% 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 7.65 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 (6.65 percent) or 1- percentage point higher (8.65 percent) than the current rate:

	1% Decrease 6.65%	Discount Rate 7.65%	1% Increase 8.65%
Agency's proportionate share of the net pension plan liability	$ 695,792	$ 414,886	$ 182,965

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

At June 30, 2016, the Agency had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2016.

NOTE 11– POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In addition to the California Public Employees' Retirement System (PERS) pension benefits, as described in Note 10, the Agency provides post-retirement health benefits for management and director positions. The Agency agreed to pay PERS for the retiree and/or retiree's dependent health (medical/dental/vision) insurance premiums, disability insurance, long-term health care or life insurance premiums up to a maximum of $3,100 per year. The benefit is available upon retirement from PERS after the age 55, and the employee must have served for five years with the Agency. The benefit extends between the date of retirement and the date of death. Currently, there are three retirees receiving benefits and five other employees that may become eligible for benefits under this program.

Funding Policy

The Agency accounts for this benefit on a pay-as-you-go basis. No funds are set aside to pay for benefits and administrative costs. These expenditures are paid as they come due. In the fiscal year, June 30, 2016, the Agency's total contributions were $6,200.

Annual OPEB Cost and Net OPEB Obligation

The Agency's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The Agency has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Agency's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation for the post employment healthcare benefits:

Annual required contribution	$	15,458
Interest of net OPEB obligation		509
Annual OPEB cost (expense)		15,967
Contributions made		(6,200)
Increase/(decrease) in net OPEB obligation		9,767
Net OPEB obligation, beginning of fiscal year		9,258
Net OPEB obligation, end of fiscal year	$	19,025

The Agency's annual OPEB cost (expense), the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation, was as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 15,458	40.1%	$ (9,258)
June 30, 2016	$ 15,967	38.8%	$ (19,025)

Funded Status and Funding Progress

The Funded status of the plan as of July 1, 2014, the date of the latest actuarial valuation, is as follows:

Actuarial accrued liability (AAL)	$	148,961
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)		148,961
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)		418,002
UAAL as a percentage of covered payroll		36%

The projection of future benefit payments for an ongoing plan involves 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 contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 11 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees – Based on the historical average retirement age, covered group members were assumed to retire at the age of 55.

Mortality – All active and inactive plan members were expected to live through the age of 80.

Turnover – Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for development of an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

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 $20 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, 2016, deferred inflows and outflows of resources, reported on the Statement of Net Position, consisted of the following:

Deferred Inflows of Resources	
Pensions	$ 153,557
Total Deferred Inflows	$ 153,557
Deferred Outflows of Resources	
Pensions	$ 114,952
Total Deferred Outflows	$ 114,952

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. Future minimum lease payments under this agreement are as follows:

Year Ended June 30	
2017	192,282
	$ 192,282

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, and were made available during the 2011-12 fiscal year. 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 $9,622. The Agency had qualifying expenditures incurred under this program from previous allocation totaling $271,262 which was used as local match for the purchase and install of the ITS system and is included in State capital grants in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS FOR POST EMPLOYMENT BENEFITS
OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The following table provides required supplementary information regarding the District's post employment healthcare benefits.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
7/1/2014	$ -	$ 148,965	$ 148,965	0%	$ 418,002	36%

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

	2016	2015
Proportion of the net pension liability	0.00604%	0.00684%
Proportionate share of the net pension liability	$ 414,886	$ 425,837
Covered-employee payroll	$ 473,673	$ 345,255
Proportionate share of the net pension liability as percentage of covered-employee payroll	87.59%	123.34%
Plan's total pension liability	$ 31,771,217,402	$ 30,829,966,631
Plan's fiduciary net position	$ 24,907,305,871	$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	78.40%	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.

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

SAN LUIS OBISPO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Last 10 Years*
As of June 30, 2016

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

	2016	2015
Contractually required contribution (actuarially determined)	$ 63,759	$ 59,991
Contribution in relation to the actuarially determined contributions	(126,258)	(74,414)
Contribution deficiency (excess)	$ (62,499)	$ (14,423)
Covered- employee payroll	$ 822,150	$ 473,673
Contributions as a percentage of covered-employee payroll	7.76%	12.67%

Notes to Schedule

Valuation Date: 6/30/2014

The actuarial methods and assumptions used to set the actuarially determined contributions for fiscal year 2014/2015 were derived from the June 30, 2012 funding valuation report.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 funding valuation report.
Inflation	2.75%
Salary Increases	Varies by entry age and service
Payroll Growth	3.00%
Investment Rate of Return	7.5% net of pension plan investment and administrative expenses; includes inflation.
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 perioed 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.

There were no changes in methods or assumptions used to determine the legally required contributions, which actuarially determined, from the June 30, 2011 to the June 30, 2012 funding valuation report.

*- Fiscal year 2015 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Adopted Budget	Actual	County Services Actual	Variance with Budget
Administration:				
Labor	$ 789,900	$ 660,486	$ -	$ 129,414
Labor - Administration Workers Comp	55,880	55,720		160
Office Space Rental	489,360	437,933		51,427
Property Insurance	18,500	16,127		2,373
Professional Technical Services	92,970	50,925		42,045
Professional Development	26,940	19,076		7,864
Operating Expense	255,450	239,157		16,293
Marketing and Reproduction	138,400	71,340		67,060
Contingency	(110,000)	364		(110,364)
North County Management Contract	(39,720)	(39,720)		
County Management Contract	(80,500)	(80,500)	90,500	(90,500)
SCT Management Contract	(79,830)	(79,830)		
Total Administration	1,557,350	1,351,078	90,500	115,772
Service Delivery:				
Labor - Operations	3,865,100	3,569,509	169,134	126,457
Labor - Operations Worker Comp	378,050	376,970	18,198	(17,118)
Labor - Maintenance	904,210	863,556	40,771	(117)
Labor - Maintenance Workers Comp	110,640	110,324	5,326	(5,010)
Fuel	1,502,000	786,228	23,586	692,186
Insurance	483,930	475,680	9,477	(1,227)
Special Transportation (includes Senior Vans, Lucky Bucks, etc.)	118,330	53,781	47,431	17,118
Avila Trolley	57,750	46,885	55,484	(44,619)
Maintenance (parts, supplies, materials)	436,560	550,712	10,767	(124,919)
Maintenance Contract Costs	111,150	125,218	2,508	(16,576)
Total Operations	7,967,720	6,958,863	382,682	626,175
Capital/Studies:				
Computer System Maintenance/Upgrades	37,540	31,964		5,576
Miscellaneous Capital				
Facility Improvements	39,960	17,678		22,282
Maintenance Software and Equipment	58,990			58,990
Radios	6,000	4,653		1,347
Vehicle ITS/Camera System	725,900	383,370		342,530
Bus Stop Improvements	294,890	111,067		183,823
RouteMatch Dispatching Software	37,500			37,500
Support Vehicles	60,000			60,000
Over the Road Chaos	1,300,000			1,300,000
Cutaway Vehicles	259,300	244,352	65,797	(50,849)
Runabout Vehicles	521,280	406,314		114,966
Total Capital Outlay	3,341,360	1,199,398	65,797	2,076,165
Interest Expense	64,500	42,592		21,908
Loan Paydown	200,600	200,596		4
Facility Environmental Planning	219,430	37,629		181,801
Management Contracts	200,050	200,050		
TOTAL FUNDING USES	$ 13,551,010	$ 9,990,206	$ 538,979	$ 3,021,825
TOTAL EXPENSES, BUDGETARY BASIS		$ 9,990,206		
ADD:				
DEPRECIATION		1,874,939		
LESS:				
CAPITALIZED EXPENSES		(1,219,491)		
LOAN PRINCIPAL PAYMENTS		(200,596)		
NON-OPERATING EXPENSES		(60,912)		
TOTAL OPERATING EXPENSES PER FINANCIAL STATEMENTS		$ 10,384,146		