ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

FINANCIAL STATEMENTS

June 30, 2020

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

FINANCIAL STATEMENTS
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of Alameda-Contra Costa Transit District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the AC Transit Employees' Retirement Plan, which represents the fiduciary activities of the District. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the AC Transit Employees' Retirement Plan, is based solely on the report of the other auditors. 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. The financial statements of the AC Transit Employees' Retirement Plan were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

(Continued)

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2020, the District has elected to change its method of accounting for recognition of nonexchange revenue due to the adoption of Governmental Accounting Standards Board (GASB) Implementation Guide 2019-1 and also elected to change the measurement date for the District's two OPEB plans, which resulted in a restatement of July 1, 2019 net position in the amount of $1,517,453. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Employer's Net Pension Liability and Related Ratios, Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability and Related Ratios, and Schedule of Employer's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 and other auditors 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.

Supplementary Information

Our audit for the year ended June 30, 2020 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Other Supplementary Information for the year ended June 30, 2020, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information for the year ended June 30, 2020 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statements. The Other Supplementary information has been subjected to the auditing procedures applied in the audit of the 2020 basic financial statements for the year ended June 30, 2020 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statements or to the 2020 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated, in all material respects, in relation to the 2020 basic financial statements as a whole for the year ended June 30, 2020.

(Continued)

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the District as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated November 13, 2019, which contained unmodified opinions on the respective financial statements of the business-type activities and fiduciary activities. The Comparative Schedules of Net Position, Comparative Schedules of Revenues, Expenses, and Changes in Net Position, Comparative Schedules of Cash Flows, and Comparative Schedules of Revenues, Expenses, and Changes in Net Position – Budgetary Basis (referred to collectively as “Comparative Schedules”) as of and for the year ended June 30, 2019, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The Comparative Schedules as of and for the year ended June 30, 2019, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Comparative Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

Other Reporting Required by *Government Auditing Standards*

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

[redacted]

San Francisco, California
__________, 2020

Management's Discussion & Analysis

This discussion and analysis of the Alameda-Contra Costa Transit District's financial performance provides an overview of the District's activities for Fiscal Year 2020 with comparisons to the prior fiscal year.

Financial Highlights

- At June 30, 2020, total assets and deferred outflow of resources were $754.2 million, a decrease of $23.6 million, or 3 percent, compared to June 30, 2019, when it was $777.8 million. Total current assets at June 30, 2020 were $234.6 million, an increase of $4.5 million, or 2 percent, primarily related to year over year increases in receivables, prepaids and inventory at yearend. Capital assets, net of accumulated depreciation increased by $14.3 million or 3 percent, to $459.9 million due to ongoing District capital programs. Other Non-Current Assets were stable at $1.1 million. Deferred outflows decreased by $42.4 million, or 42 percent, to $58.5 million at June 30, 2020 primarily due to the pension related net of investment gains/losses, and the amortization of investment losses from prior periods.

- At June 30, 2020, total liabilities and deferred inflow of resources were $681.6 million, a decrease of $25.9 million, or 4 percent, compared to June 30, 2019 when they were $707.5 million. Total current liabilities increased by $0.2 million, or 0 percent, over fiscal year 2019 when they were $92.1 million. due to a net increase in related subcategories at year end, most notably in Salary & Wages and fringe, including paid time off liabilities. These were mostly offset by decreases in unearned revenue, accounts payables and in other accrued liabilities. Non-current liabilities decreased by $61.2 million, or 11 percent, from June 30, 2019 when they were $564.2 million. This was primarily due to the decrease in the net pension and OPEB liabilities, partially offset by $15.0 million credit line obligation as of June 30, 2020. This change in net pension and OPEB liabilities are attributable to net investment and actuarial activity. The decrease in deferred inflows of $35.2 million is the product of the net activity of expected and actual experience as reflected in the pension GASB 68 and GASB 75 actuarial studies.

- For Fiscal Year 2020, operating revenues decreased by $14.5 million, or 19 percent, to $62.0 million. While there were some slight trends during the course of the year, once the "COVID 19" pandemic started in mid-March 2020 the District stopped collecting passenger fares for the safety its employee's and the riding public, creating this year over year result. However, it can be noted that contract fares remained stable at $14.2 million, a reduction of 4 percent over June 30, 2019, when they were $14.8 million. As of June 30, 2019, operating revenues were $76.5 million.

- In Fiscal Year 2020, total expenses were $538.0 million, an increase of $32.3 million, or 6 percent, compared to $505.6 million at June 30, 2019. The largest year over year increases occurred in fringe benefits of $13.5 million largely due to carrier increases, paid time off taken related to the pandemic, and actuarial results, Services of $11.6 million primarily due to "Pass Through" expenditures ("Pass Through" revenues and expenditures are generated from projects belonging to other agencies, which may directly or indirectly benefit the District's operations) Other Wages had increases in the maintenance and salaried categories contributing to the $5.6 million increase, and a $4.5 million increase in "Other' due to facility leases at the Salesforce Transbay terminal. Notable year over year decreases occurred in Insurance of $3.0 million due to actuarial results, fuel, due to service reductions during the pandemic period, and expenses of the JPA and consortium, again due to service curtailment related to the pandemic.

- For Fiscal Year 2020, non-operating revenues were $441.4 million, an increase of $37.3 million, or 9 percent, compared to Fiscal Year 2019 when it was $404.1 million. The most notable increases occurred in Federal funds of $24.8 million or 182 percent due to the receipt of federal CARES Act funding during the period, Property tax of $9.0 million or 6 percent, and state funds of 10.4 million or 50 percent primarily due to the receipt of "pass through" funds which are not available to fund District operations. There was year over year decreases in Sales Taxes of $ 6.6 million or 6 percent, and a reduction in Local Funds of $1.9 million, or 2 percent, both related to the pandemic

- At June 30, 2020, net position was $72.6 million, an increase of $2.2 million, or 3 percent, from June 30, 2019 when it was $70.3 million. This 2020 increase in net position was driven by the net result of total operating and non-operating revenues during the fiscal year of $503.4 million, combined with capital funds earned during the period of $35.3 million, totaling $538.7 million, over total expenses of $538.0 million, along with an prior period adjustment of $1.5 million, attributable to the adoption of the Governmental Accounting Standards Board (GASB) "Guide 2019-1" and a change in the measurement date of the OPEB plans. It should also be noted that without the receipt of $30.0 million of Federal CARES Act funding during the period, net position would have been reduced by $29.3 million at year end.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Analysis of Basic Financial Statements

Alameda-Contra Costa Transit District
Net Position
(in thousands)
Fiscal Year Ended June 30, 2020

	2020	2019	Change	%
Assets				
Current Assets	$ 234,627	$ 230,176	$ 4,451	2%
Capital Assets, net	459,876	445,540	14,336	3%
Other Non-Current Assets	1,137	1,169	(32)	-3%
Total Assets	**$ 695,640**	**$ 676,885**	**$ 18,755**	**3%**
Deferred Outflows	$ 58,535	$ 100,907	$ (42,372)	-42%
Total Assets and Deferred Outflow of Resources	**754,175**	**777,792**	**(23,617)**	**-3%**
Liabilities				
Current Liabilities	$ 92,319	$ 92,090	$ 229	0%
Long Term Portion of COPS	11,655	10,704	951	9%
Net Pension Liability	270,087	339,538	(69,451)	-20%
Net OPEB Liability	141,853	150,336	(8,483)	-6%
Other Non-Current Liabilities	79,362	63,627	15,735	25%
Total Liabilities	**$ 595,276**	**$ 656,295**	**$ (61,019)**	**-9%**
Deferred Inflows	**$ 86,305**	**$ 51,153**	$ 35,152	69%
Total Liabilities and Deferred Inflow of Resources	**681,581**	**707,448**	**(25,867)**	**-4%**
Net Position				
Invested in Capital Assets, net of related debt	$ 448,221	$ 434,371	$ 13,850	3%
Restricted for Capital Purchases	18,228	19,239	(1,011)	-5%
Restricted for Debt Service	992	837	155	19%
Unrestricted	(394,847)	(384,103)	(10,744)	3%
Total Net Position	**$ 72,594**	**$ 70,344**	**$ 2,250**	**3%**
Total Liabilities and Net Position	**$ 754,175**	**$ 777,792**	**$ (58,769)**	**-8%**

Assets:

At June 30, 2020, total assets and deferred outflow of resources were $754.2 million, a decrease of $23.6 million, or 3 percent, compared to June 30, 2019, when it was $777.8 million. Current assets at June 30, 2020 were $234.6 million, an increase of $4.5 million, or 2 percent, over June 30, 2019 when it was $230.2 million. While cash and investments were lower at June 30, 2020 by $16.8 million, grant receivables increased by $18.2 million, offsetting this year over year difference. Other receivables were stable year over year. Inventory and Prepaids increased year over year by $1.7 million, and $1.6 million respectively. The increase in inventory at year end was due to a reduction in the consumption of fuel and materials during this initial pandemic period, the increase in prepaid is attributable to an increase in insurance premiums offset by a $0.9 million reduction in the election prepaid due to normal amortization. Non-Current assets at June 30, 2020 were $461.0 million, an increase of $14.3 million, or 3 percent, over June 30, 2019 when they were $446.7 million. This is change is attributable to Property Plant and Equipment net activity during the period.

Deferred outflows, which are primarily related to Pension and OPEB as of June 30, 2020 were $58.5 million. This was a decrease of $42.4 million, or 42 percent, over June 30, 2019 when it was $100.9 million. The pension component of deferred outflows was responsible for a decrease of $50.5 million or 50 percent. Deferred outflows at June 30, 2020 were $12.4 million and increase of $7.5 million, or 155 percent over June 30, 2019 when it was $4.9 million. The change in these numbers is the product of changes in actuarial assumptions, and the difference between actuarially projected and actual earnings of pension investments.

Liabilities:

At June 30, 2020, total liabilities and deferred inflows of resources were $681.6 million, a decrease of $25.9 million, or 4 percent, compared to June 30, 2019 when they were $707.4 million. Current liabilities at June 30, 2020 were $92.3 million an increase of $0.2 million, or 0 percent, over June 30, 2019 when they were $92.1 million. Several factors contributed to this net result, including increases of $4.3 million in salaries due to union retroactive raises, $4.7 million in "Other accrued Liabilities" which is primarily composed of fringe benefits and is related to timing, and $2.6 million related to paid time off due to CBA driven wage increases. Notable decreases in current liabilities included $4.3 million in Accounts Payable at year end due to timing, $5.7 million in unearned revenue due to these funds being earned in the period, and $1.5 million reduction in claims due to the actuarial results and related balancing of the short term and long term liabilities in this category at yearend. Total other non-current liabilities were $503.0 million, a decrease of $76.2 million or 14 percent, from June 30, 2019 when it was $564.2 million. This result was almost solely due to a decrease in net pension liability and to a lesser extent net OPEB Liability. At June 30, 2020 the net pension liability was $270.1 million, a decrease of $69.5 million, or 20 percent, over fiscal year 2019 when it was $339.5 million. This change is primarily attributable to investment gains of $105.3 million, offset by increases in net costs of $35.9 million. As of June 30, 2020, the Net OPEB liability was $141.9 million, a decrease of $8.5 million, or 6%, over fiscal year 2019 when it was $150.3 million. The net decrease in deferred inflows of $14.6 million is the product of the net activity of expected and actual experience as reflected in the pension GASB 68 and GASB 75 actuarial studies. Deferred inflows from pension decreased $67.6 million, while deferred inflows from OPEB increased $53.1 million

Net Position:

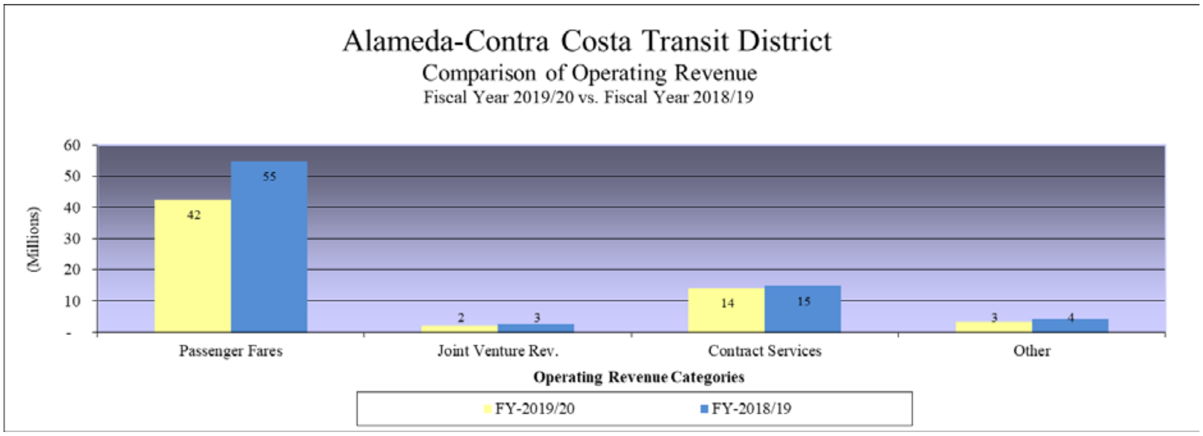
At June 30, 2020, net position was $72.6 million, an increase of $2.2 million, or 3 percent, from June 30, 2019 when it was $70.3 million. During the current fiscal year revenues grew by $22.8 million, or 5 percent, and expenses grew by $32.3 million or 6 percent. Total operating and non-operating revenues during the fiscal year ended June 30, 2020 were $503.4 million and capital revenues of $35.3 million totaling $538.7 million, over total expenses of $538.0 million. $30.0 million of Federal CARES funds were earned during the period and were instrumental in preserving the District's net position at June 30, 2020.There was also $1.5 million addition to net assets due to the adoption of the Implementation Guide 2019-1 compliance and a change in the measurement date of the OPEB plans.

Alameda-Contra Costa Transit District
Statement of Revenues, Expenses and Changes in Net Position
(in thousands)
For the Years Ended June 30, 2020 and June 30, 2019

	2020	2019	Changes	%
Revenues				
Operating Revenues				
Passenger Fares	$ 42,478	$ 54,794	$ (12,316)	-22%
Operating Revenues of Joint Ventures	2,012	2,552	(540)	-21%
Contract Services	14,169	14,827	(658)	-4%
Other	3,338	4,341	(1,003)	-23%
Total Operating Revenues	**61,997**	**76,514**	**$ (14,517)**	**-19%**
Non-Operating Revenues				
Property Taxes	149,103	140,194	8,909	6%
Local Sales Taxes (Note 7)	101,743	108,343	(6,600)	-6%
Local Funds (Note 7)	90,656	92,517	(1,861)	-2%
Federal	41,172	13,659	27,513	201%
State	31,283	20,843	10,440	50%
Non-Oper. Revenues of Joint Ventures	26,638	28,106	(1,468)	-5%
Gain (Loss) on sale of capital assets	687	10	677	6770%
Interest Income	933	1,292	(359)	-28%
Interest Expense	(822)	(893)	71	-8%
Total Non-Operating Revenues	**441,393**	**404,071**	**37,322**	**9%**
Total Revenues	**503,390**	**480,585**	**22,805**	**5%**
Expenses				
Operating Expenses				
Operator Wages	89,804	90,074	(270)	0%
Other Wages	74,538	68,913	5,625	8%
Fringe Benefits	188,598	175,138	13,460	8%
Depreciation	44,260	43,075	1,185	3%
Fuel & Oil	11,897	14,499	(2,602)	-18%
Other Materials & Supplies	14,404	11,212	3,192	28%
Services	61,427	49,966	11,461	23%
Insurance	8,027	11,064	(3,037)	-27%
Expenses of Joint Venture	31,249	32,430	(1,181)	-4%
Other	13,760	9,277	4,483	48%
Total Operating Expenses	**537,964**	**505,648**	**32,316**	**6%**
Loss before Contributed Capital	**(34,574)**	**(25,063)**	**(9,511)**	**38%**
Capital Contributions	35,306	71,863	(36,557)	-51%
Change in Net Position	**732**	**46,800**	**(46,068)**	**-98%**
Net Position, beginning of year	**70,344**	**23,544**	**46,800**	**199%**
Cummulative Change in accounting principle	1,518	-	1,518	100%
Net Position, beginning of year (as restated)	71,862	23,544	48,318	205%
Net Position, end of year	**$ 72,594**	**$ 70,344**	**$ 2,250**	**3%**

Operating Revenue:

For Fiscal Year 2020, operating revenues decreased by $14.5 million, or 19 percent, to $62.0 million, over June 30, 2019 when they were $76.5 million. While contract fares of $14.2 million in fiscal year 2020, stayed within 4 percent of fiscal year 2019 with a total of $14.8 million, passenger fares, fares from the JPA, and other fares decreased on average by 22 percent or $13.9 million when compared to June 30, 2019 when they were $61.7 Million. While there had been a general fare increase effective in July 2019 and a Transbay fare increase in January 2020, this overall result is attributable to the District's suspension of fare collection from the start of the pandemic in mid-March 2020 through the end of the fiscal year.



Non-Operating Revenue:

For fiscal year 2020, non-operating revenues were $441.4 million, which is a net increase of $37.3 million, or 9 percent, compared to fiscal year 2019 when it was $404.1 million. This overall net increase included year over year increases in Property Taxes, as well as Federal and State subsidies which were offset by decreases local sources of revenues and funding for the JPA.

At fiscal yearend 2020 property taxes were $149.1 million an increase of $8.9 million or 6 percent, over fiscal year 2019 when they were $140.2 million. The property tax number contains both regular property tax of $119.5 million, and a fixed parcel tax which came in at $29.6 million, the latter is accessed in a portion of our service area and is stable year over year. The regular property tax component has been growing over the previous three fiscal years at an average of 7 percent per year. Local sales tax revenues went from $108.3 million at June 30, 2019, to $101.7 million as of June 30, 2020, a decrease of $6.6 million, or 6 percent. These included decreases in Measure B, Measure BB, Measure J, and AB1107 funds, of $2.4 Million, $2.6 million, $0.3 million, and $2.3 million respectively.

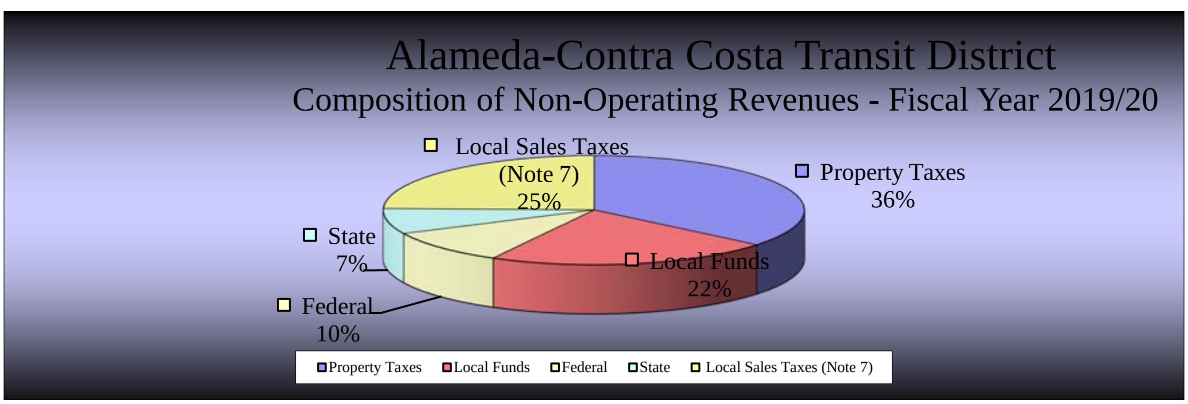
Local funds, totaling $90.7 million at June 30, 2020 decreased by $1.9 million, or 2 percent, over June 30, 2019 when it was $92.5 million. Local funds at June 30, 2020 were comprised of Transportation Development Act (TDA) of $72.1 million, and Regional Measure 2 (RM2) operating funds of $9.1 million, Local "Pass Through" was $7.8 million, and local operating assistance funds were $.1.6 million. While the overall year over year change in Local funds was 2 percent, there were items of note, namely TDA funds which are sales tax based were essentially stable year over year with a $0.2 decrease, due to the allocation cycle of that funding source. RM2 decreased $0.9 million or 9 percent as these are bridge toll based and fewer tolls were collected during the early pandemic period. Finally pass through funds, which are not available to support the operations of the District decreased by $2.1 million as related projects came to completion.

State revenues, which include state transit assistance (STA), as well as other state sources. State funds available for funding regular transit service at June 30, 2020 were $ 26.0 million, an increase of $5.8 million, or 29 percent over June 30, 2019 when they were $20.2 million. Included in this number is $0.5 million to help offset the cessation of AB2972 OUSD funds for school bus service. Also included in this number is $1.8 million from State "Low Carbon Transit Operations Program" (LCTOP) funding.

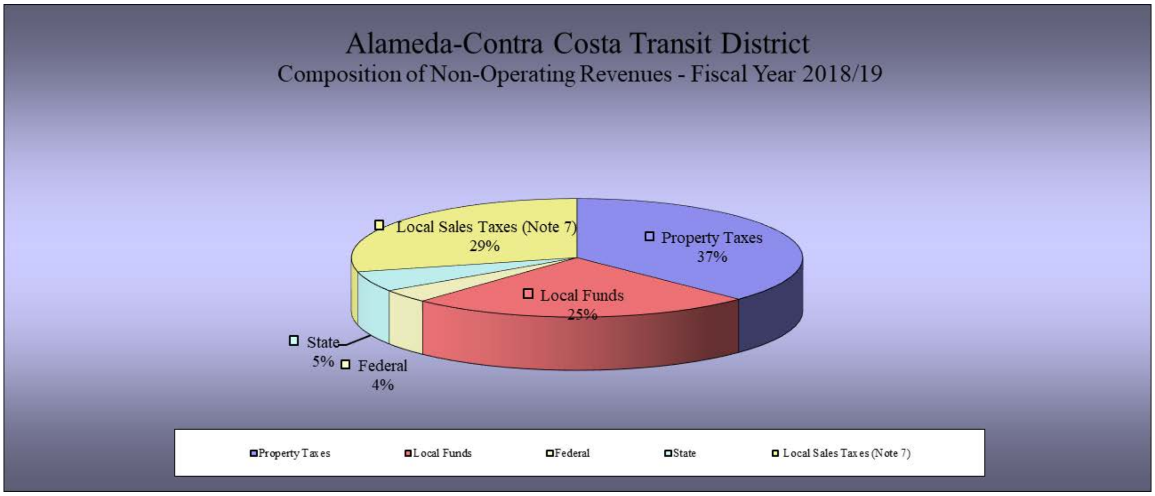
Federal operating funds increased by $24.8 million, to $41.2 Million, or 201 percent, over June 30, 2019 when they were $13.7 million, with the Federal CARES act funding providing $30.0 million of this total.

While there was federal preventive maintenance funding for the period ended June 30, 2019 in the amount of $5.7 million, in the fiscal year June 30, 2020 those funds were not available, though other federal funds of $1.0 million were, leaving a $4.7 million reduction in this federal operating assistance subcategory. Federal "pass through" funds, which are not available to fund District operations, decreased when compared to June 30, 2019 by $0.9 million, to $7.1 million.

"Non-Operating Revenues of Joint Venture" includes discretely allocated revenues from the categories of Local, State and historically at least, Federal sources. As of June 30, 2020, these combined sources contributed $26.6 million, or $1.5 million, or 5% less than in June 30, 2019 when they were $28.1 million. Funding sources in this category include Local Sales Taxes comprised of Measure B of $6.0 million, Measure BB of $6.6 million, and Measure J of $0.2 million, Local Sales Taxes of $1.1 million, Local funds comprised of Transportation Development Act funds of $ 4.4 million, Regional Measure 2 operating funds of $2.8 million for Dumbarton service, State contributions come from State Transit Assistance (STA) funds totaling $6.5 million for the fiscal year ended June 30, 2020, an decrease of $0.4 million over June 30, 2019 when they were $6.9 million. Decreases from all of these sources mirrored their counterparts in the Non-Operating Revenue section. Federal funding, which historically has been available for these important programs was zero for the fiscal year ended June 30, 2020. Federal funds when available in this category typically consist of "ADA Set Aside" and "Paratransit Lease" funds. When we look at the operating and non-operating revenues for joint venture service compared to the cost of those services the net expense of joint venture t service to the District for the fiscal year ended June 30, 2020 it is a net of $2.6 million, down from $5.8 million for the year ended June 30, 2019. This primarily is due to the receipt of STA lifeline funds of $4.2 million, which overcame reductions in related fares and subsidies along with lower service expenses due to the pandemic impacts.



When comparing the "Composition of Non-Operating Revenue" pie charts from FY-19/20 (above) to FY-18/19 (next page) shift in composition between these fiscal years, as percent of total non-operating revenue in each respective fiscal year included decreases of 1 percent in Property tax, 3 percent in Local Funds, and 4 percent in local sales tax. Increases included 6 percent in State funding and 2 percent in federal.



Expense Highlights

Operating Expenses:

In Fiscal Year 2020, total operating expenses were $538.0 million, an increase of $32.3 million or 6 percent compared to $505.6 million in Fiscal Year 2019. The most significant increases occurred in Fringe benefits $13.5 million, Services of $11.5 million, Other Wages of $5.6 million, and other materials and supplies of $3.2 million along with offsets in some of the other expense categories, as discussed below.

Operator wages totaling $89.8 million, for June 2020 were down $0.3 million over the year ending June 2019 when they were $90.1 million. This decrease occurred even with CBA provision for a retroactive pay raise of 3 percent, and one-time bonus payment of an additional 2 percent, however service was significantly reduced once the pandemic "shelter in place" order was given from the Alameda and Contra Costa Health departments in mid-March of 2020.

Other Salary and Wages was $74.5 million at June 30, 2020 an increase of $5.6 million, or 8 percent, over June 2019 30, when it was $68.9 million. Most of the employees in the Other Salary and Wages category did receive CBA scheduled increases, and the ATU bargaining unit members in this category also received the retroactive pay raise and bonus mentioned in the operator wages section above. Notable increases included salaried employees regular time, which increased by $3.5 million or 10 percent, offset slightly by reductions in overtime and holiday worked time totaling $0.4 million. Maintenance regular time increase by 7 percent or $1.7 million to $27.0 million. Finally, expense for bus operator training decreased by $0.1 million due to reaching staffing objectives. Year over year headcount was within 1 percent in the other salary and wages category.

Overall, when we combine Operator Pay, Other Salary and Wages along with paid time off (PTO) categories (a component of fringe benefits) that provides the total of directly paid compensation to employees. This total for the year ended June 30, 2020 was $196.0 million, a $10.5 million increase, or 6 percent, over June 30, 2019 when it was $185.5 million.

Fringe benefits at June 30, 2020 were $188.6 million, an increase of $13.5 million or 8 percent over June 30, 2019 when it was $175.1 million. There were increases in medical and dental expense of $3.0 million, or 6 percent which included increases from medical carriers partially offset by a reduction in the dental liability. Due in part to a less favorable actuarial result and an increase in period expenses workers comp expense increased by $5.6 million, to $15.6 million as of June 30, 2020 over the prior period. Due to leaves taken during the pandemic period paid time off increased by $5.1 million or 23 percent to $27.2 million at June 30, 2020. FICA followed the contractual wage increases and increased by 3% or $0.5 million. The District changed the measurement date for OPEB in order to receive the actuarial results during the fiscal year, for this fiscal year and going forward.

2020 OPEB expense was $5.1 million, up $5.4 million compared to 2019 when it was -$0.4 million, primarily due to unfavorable GASB 74-75 actuarial result of $0.3 million for 2020, compared to 2019 which had favorable actuarial result of -$5.4 million. Pension expense was $63.7 million, down $6.4 million or 9% compared to 2019 when it was $70.1 million. Pension was favorably affected by a GASB 67-68 actuarial result of $4.4 million, which was a significant improvement of -$10.4 million compared to 2019, when the negative impact was $14.7 million. 2020 Pension contributions were $59.3 million, up $3.9 million or 7%, compared to 2019 contributions of $55.4 million. Overall, total OPEB and Pension expense for 2020 was down $0.9 million to $68.7 million, compared to 2019 at $69.7 million.

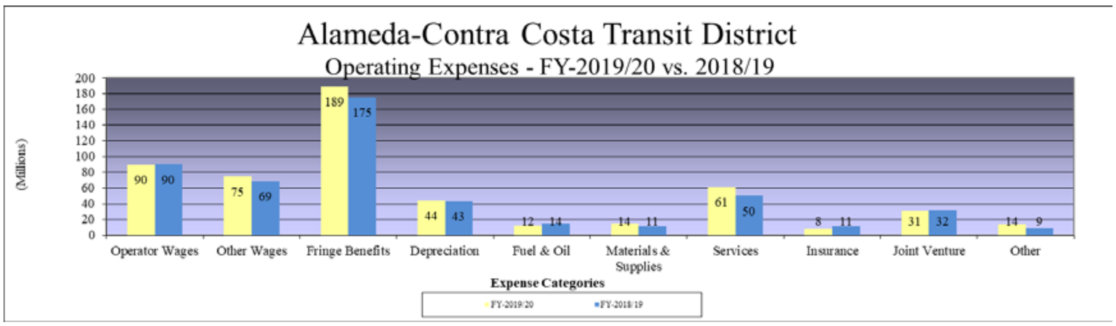
Depreciation increased by $1.2 million or 3 percent, due to growth in the depreciable base. At June 30, 2020 Fuel and Oil was $11.9 million, a decrease of $2.6 million or 18 percent over June 30, 2019 when it was $14.5 million. This decrease was due to significant service reductions in the pandemic period. Materials and Supplies consumption was $14.4 million as of June 30, 2020, an increase of $3.2 million, or 28 percent over June 30, 2019 when it was $11.2 million. This apparent increase, was due to a reduction the offsets in this category for remanufactured inventory and grant labor and fringe of $2.8 million due to less activity, an increase in other materials and supplies of $0.6 million related to personal protective equipment (PPE) help mitigate the risks to personnel associated with the pandemic, offset by other fluctuations in the subcomponents of the line item.

Outside services increased by $11.5 million, to $61.5 million, or 23 percent, over fiscal year 2019 when it was $50.0 million. "Pass through" expenditures which are exclusively reported in this object class, were $32.9 million in 2020, or an increase of $11.9 million, or 57 percent, then in fiscal 2019 when they were $21.0 million, mainly related to the Bus Rapid Transit Project. While there were largely offsetting increases and decreases in the subcategories making up the outside services expenditures, we can note year over year increases in security services of $0.6 million, and outside training of $0.3 million.

In fiscal year 2020 insurance was $8.0 million, a decrease of $3.0 million over 2019, or 27 percent, when it was $11.1 million. While the cost of policy coverage increased by $1.3 million during the period, a favorable actuarial result for public liability and property damage was responsible for this year over year decrease.

The "expenses of joint venture" category includes the Paratransit and Dumbarton consortium expenses, showed a decrease of $1.2 million, or 4 percent, over fiscal 2019 when it was $32.4 million. Paratransit Consortium expense decreased by $0.8 million. While this decrease might have been greater, the decision was made in order to keep the associated workforce intact and provide needed help to the community which paratransit serves, paratransit drivers and vehicles were used to provide "Meals on Wheels" service. Also, the Dumbarton service expense decreased by $0.4 million, or 4 percent, again due to the pandemic.

In fiscal year 2020 the category of "other" expenses was $13.4 million, an increase of $45 million over fiscal year 2019 when it was $9.3 million. The most significant change was lease payments made in relation to the Salesforce Transit Center and associated bus parking facility in the amount of $4.3 million. Other that this item, within the composition of this series increases in certain line items were offset by decreases in others as the net result might suggest. Other notable increases included election expense increased by $0.4 million. While election expense was a nominal bi-annual expense line item at one time, it has grown significantly, especially in Alameda county, making it prudent to create a prepaid, and amortizing it over the term of the associated elected officials. This is expected to create better matching and will eventually help to level out the election expense year over year once the next election cycle occurs. Lastly an increase in telecom expenses of $0.3 million, due to increase in cellular provider fees.



Capital Program

The District received capital contributions of $35.3 million in Fiscal Year 2020 compared to $71.9 million in Fiscal Year 2019, a decrease of $36.6 million, or 51 percent. In fiscal year 2020 capital contributions came from the following sources, federal $8.9 million, State $5.8 million, and local $20.7 million. On-going capital investment is crucial to an asset intensive industry such as ours.

Some of the capital acquisitions during the period included:

- Revenue Vehicle Replacement ($13.5 million)
- Bus Rapid Transit program ($14.6 million)
- CAD/AVL (Dispatch/Automated Vehicle Location) System ($1.0 million)
- Hydrogen Program ($3.2 million)
- Facilities, and building rehabilitation ($1.1 million)
- Transit Stations/Corridors ($1.8 million)

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

Debt

In February 2009 the District issued a $15.0 million COPS (2009A) to help fund the July 2008 purchase of property located at 66th avenue in East Oakland. These were refunded in December 2019 and at June 30, 2020, the principal component of the annual lease payment was $11.7 million. The 2009A COPS were secured by specified capital assets and this obligation was scheduled to conclude in August 2034. In December 2019 the District refunded this issuance and used the proceeds to retire the 2009A COPS, and this refunding is referred to as the "2019 COPS". This refunding obligation is also scheduled to conclude in August 2034.

The District entered into a credit line agreement in August 2019 with a limit of $35 million. This dedicated to cover potential funding shortfalls for the District's Bus Rapid Transit project. This facility has a three-year term and at June 30, 2020 the outstanding balance on this credit line was $15.0 million

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

Subsequent Events

- The District resumed fare collection on October 19, 2020. They had previously been suspended in late March 2020 due to the COVID 19 pandemic. The District has implemented additional safety measures as a part of this resumed fare collection program.
- The District went "Live" with its Bus Rapid Transit (BRT) project in August of 2020.

Factors Impacting Future Periods

In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic and the State of California issued a statewide shelter-in-place order that continues to have a significant impact on the operations and business results of the District.

The U.S. Economy decreased by 5.0% in the first quarter and 31.7% in the second quarter of 2020. The large second quarter decrease was due to the impact of COVID-19. The decline in the second quarter reflects a decrease in investments, exports, goods and services. In the middle of March, the spending of corporations and state and local governments decreased or was redirected as state and local governments issued shelter-in-place or stay-at-home orders. This greatly impacted the employment rate and local sales tax revenue.

In June 2020, the District was awarded $80,366,395 in CARES Act funding to help offset some of the additional costs incurred. The extent to which the coronavirus may impact business activity, including ridership and operating grants, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

Requests for Information

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

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF NET POSITION
June 30, 2020
(In thousands)

ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$	75,087
Restricted cash and cash equivalents:		
Restricted for capital purchases (Note 3)		18,228
Investments (Note 3)		20,007
Receivables:		
Federal and local grants:		
Capital		16,787
Planning, operating and other (Note 7)		32,509
Property tax		12,179
Local sales tax		12,914
Other trade receivables		15,502
Total receivables, net		89,891
Due from Pension Trust Fund (Note 5)		5,471
Inventory		14,158
Prepaid expenses		11,785
Total current assets		234,627
Noncurrent assets		
Restricted cash and cash equivalents:		
Restricted for certificates of participation - debt service (Note 3)		1,137
Capital assets (Note 4)		
Nondepreciable		149,058
Depreciable, net		310,818
Total capital assets, net		459,876
Total noncurrent assets		461,013
Total assets		695,640
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 9)		45,570
OPEB related (Note 10)		12,382
Deferred loss on refunding debt (Note 8)		583
Total deferred outflows of resources		58,535
Total assets and deferred outflows of resources	$	754,175

(Continued)

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF NET POSITION
June 30, 2020
(In thousands)

LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	$ 14,806
Accrued salaries and wages	7,846
Current portion of accrued vacation and sick leave	20,184
Due to Pension Trust Fund (Note 5)	4,888
Unearned revenue	7,842
Other accrued liabilities	20,061
Accrued interest payable	145
Current portion of claims liabilities (Note 13)	16,480
Current portion of remediation obligations (Note 12)	67
Total current liabilities	92,319
Noncurrent liabilities	
Accrued vacation and sick leave	9,962
Claims liabilities (Note 13)	53,448
Remediation obligations (Note 12)	952
Certificates of participation (Note 8)	11,655
Revolving line of credit (Note 8)	15,000
Net pension liability (Note 9)	270,087
Net OPEB liability (Note 10)	141,853
Total noncurrent liabilities	502,957
Total liabilities	595,276
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 9)	28,395
OPEB related (Note 10)	57,910
Total deferred inflows of resources	86,305
Total liabilities and deferred inflows of resources	681,581
NET POSITION	
Net investment in capital assets	448,221
Restricted for capital purchases (Note 11)	18,228
Restricted for debt service	992
Unrestricted	(394,847)
Total net position	$ 72,594

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year ended June 30, 2020
(In thousands)

Operating Revenues	
Passenger fares	$ 42,478
Contract services	14,169
Operating revenues of JPA and consortium (Note 14)	2,012
Other	3,338
Total operating revenues	61,997
Operating expenses	
Operator wages	89,804
Other wages	74,538
Fringe benefits	188,598
Depreciation (Note 4)	44,260
Fuel and oil	11,897
Other material and supplies	14,404
Services	61,455
Insurance	8,027
Expenses of JPA and consortium (Note 14)	31,249
Other	13,732
Total operating expenses	537,964
Operating loss	(475,967)
Non-operating revenues (expenses)	
Operating assistance:	
Property taxes	149,103
Local sales tax (Note 7)	101,743
Local funds (Note 7)	90,656
State (Note 7)	31,283
Federal (Note 7)	41,172
Non-operating revenues of JPA and consortium	26,638
Gain (loss) on sale of capital assets	687
Interest income	933
Interest expense	(822)
Net non-operating revenues (expenses)	441,393
Loss before capital contributions	(34,574)
Capital contributions (Note 6)	35,306
Change in net position	732
Net position at beginning of year	70,344
Cumulative effect of change in accounting principle	1,518
Net position at beginning of year, as restated	71,862
Net position at end of year	72,594

The accompanying notes are an integral part of these financial statements.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF CASH FLOWS
Year ended June 30, 2020
(In thousands)

Cash flows from operating activities	
Cash received from customers	$ 51,042
Cash payments to suppliers for goods and services	(145,256)
Cash payments to employees for services and benefit payments	(340,265)
Other operating receipts	5,350
Net cash used in operating activities	(429,129)
Cash flows from noncapital financing activities	
Operating assistance received	414,758
Net cash provided by noncapital financial activities	414,758
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(58,596)
Capital contributions received	40,623
Proceeds from sale of capital assets	687
Proceeds from revolving line of credit	15,000
Principal paid on certificates of participation	(97)
Interest paid on certificates of participation and line of credit	(1,010)
Net cash used in capital and related financial activities	(3,393)
Cash flows from investing activities	
Proceeds from investments	62,117
Purchase of investments	(42,575)
Investment income	933
Net cash used in investing activities	20,475
Change in cash and cash equivalents	2,711
Cash and cash equivalents, beginning of year	91,741
Cash and cash equivalents, end of year	$ 94,452
Summary of cash and cash equivalents reported on on the Statement of Net Position:	
Unrestricted cash and cash equivalents	$ 75,087
Restricted cash and cash equivalents - capital purchases	18,228
Restricted cash and cash equivalents - certificates of participation – debt service	1,137
Total cash and cash equivalents reported on the Statement of Net Position	$ 94,452

(Continued)

(In thousands)

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (475,967)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	44,260
Effect of changes in assets and liabilities:	
Other trade receivables	61
Inventory	(1,672)
Due to/from Pension Trust Fund	508
Prepaid expenses	(1,562)
Accounts payable and accrued expenses	(4,292)
Accrued salaries and wages	4,256
Accrued vacation and sick leave	3,551
Unearned revenue	(5,666)
Other accrued liabilities	4,704
Claims liabilities	(1,670)
Net pension liability and deferred outflows/inflows from pension	4,352
Net pension OPEB and deferred outflows/inflows from OPEB	8
Net cash used in operating activities	$ (429,129)

Supplemental disclosure of cash flow information	
Non-cash investing, capital and financing transactions:	
Net appreciation in fair value of investments	$ (2)
Refunding of COPS	11,655

The accompanying notes are an integral part of these financial statements.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND - STATEMENT OF FIDUCIARY NET POSITION
December 31, 2019
(In thousands)

ASSETS	
Contributions receivable from the District (Note 5)	$ 4,751
Interest receivable and other investment receivables	101
Investments at fair value (Note 3):	
Short-term investments	6,141
Equity securities	93,433
Equity funds	297,509
Fixed income funds	313,671
Real estate funds	38,035
Total investments	748,789
Total assets	753,641
LIABILITIES	
Accounts payable and accrued expenses	1,763
Due to the District (Note 5)	5,025
Total liabilities	6,788
Net position restricted for pensions	$ 746,853

The accompanying notes are an integral part of these financial statements.

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended December 31, 2019
(In thousands)

Additions:	
Employer contributions	$ 56,863
Employee contributions	92
Investment income:	
Dividends and interest income	10,186
Net appreciation in fair value of investments	101,933
Investment expenses	(1,973)
Net investment income	110,146
Total additions	167,101
Deductions:	
Benefit payments	60,321
Administrative expenses	1,462
Total deductions	61,783
Net increase in net position	105,318
Net position restricted for pensions, at beginning of year	641,535
Net position restricted for pensions, at end of year	$ 746,853

The accompanying notes are an integral part of these financial statements.

NOTE 1 – THE FINANCIAL REPORTING ENTITY

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

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

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

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

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

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

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

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

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The basic financial statements provide information about the District's enterprise fund and the pension trust fund. Separate statements for each fund category - enterprise and fiduciary - are presented. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied; revenue from sales taxes are recognized in the fiscal year when the underlying exchange occurs; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

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

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to passengers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Use of Estimates: Management has made estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare the basic financial statements in conformity with US GAAP. Actual results could differ from those estimates.

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

Investments: The District applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which required governmental entities to report certain investments at fair value in the statement of net position and the statement of plan net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted for Certificates of Participation: In connection with the 2019 Refunding Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of $1.137 million. Pursuant to a trust agreement by and among the Corporation, the District, and the trustee, the restricted assets in the fund can only be used to service lease payments on the outstanding certificates of participation. The balance in the reserve fund at June 30, 2020 is $1.137 million. The reserves are reported as non-current assets.

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

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

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

The District's policy is to capitalize all property and equipment with a cost greater than $5,000 and a useful life of more than one year.

Deferred Outflows/Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The District’s activities are related to recognition of changes in its defined benefit plan’s net pension liability and net OPEB liability that will be amortized in future periods. Additionally, there are certain costs related to the issuance of bonds that have been recorded as deferred outflows of resources, and are being amortized over the remaining period during which the refunded bonds were scheduled to be repaid.

Pension Plan: The District's noncontributory pension plan provides retirement benefits for all qualifying union and non-union employees. The District's annual contribution to fund the Plan is actuarially determined based on a percentage of gross payroll, which includes the normal cost of the Plan plus amortization of prior service costs over a period of not more than thirty years. Cash and investments in the Plan are restricted by law to provide for the future payment of pension benefits and related expenses. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

Operating Assistance: Grants are accounted for as non-operating revenue as soon as the agreement has been executed and all eligibility requirements have been met.

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Services: The District entered in to an agreement with San Francisco Bay Area Rapid Transit District's (BART) in which payments are allocated to the District from BART for feeder services to facilitate the coordination of transit service and encourage transit use and improve the quality of transit service. See Note 14 for related party disclosures on the Consortium.

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

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

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

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

On November 30, 2004, the voters approved Measure BB, which superseded the Measure AA parcel tax. Measure BB increased the amount of annual parcel tax to $48 per year and the term of the tax to 10 years from the date of implementation. The tax became effective on July 1, 2005 and was to terminate on June 30, 2015. However, on November 4, 2008, the voters approved Measure VV, which supersedes the Measure BB parcel tax. Measure VV became effective July 1, 2009 and increased the annual parcel tax to $96 per parcel. Measure VV was effective through June 30, 2019. On November 8, 2016, the voters approved Measure C1, which superseded Measure VV effective July 1, 2019 and renews the existing parcel tax through June 30, 2039. The revenue derived from this measure is to be used to sustain public transportation services provided by the District in Special District No. 1. The District received approximately $29.6 million in Measure C1 taxes during the year ended June 30, 2020.

Compensated Absences: The personnel policies of the District generally allow employees to accrue up to 240 hours of vacation and 140 days of sick leave. Members of the American Federation of State, County and Municipal Employees (AFSCME) bargaining unit accrue up to 480 hours of vacation. Unused accrued vacation is paid to the employee upon termination from District employment. Unused accrued, vested sick leave is paid, upon retirement, to those employees with ten or more years of District service.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: The financial statements utilize a net position presentation. Net position is subdivided into net investment in capital assets, restricted and unrestricted.

- Net investment in capital assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted net position - This category represents restrictions on net position externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District has restricted net position in the amount of $991,000 related to the 2019 Certificates of Participation (COPS) and $18.2 million for the future capital expenditures. The net position restricted for debt service is maintained in a reserve fund to service lease payments on the outstanding 2019 COPS.

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

Change in Accounting Principle: With the release of GASB Implementation Guide 2019-1, *Implementation Guidance Update---2019*, management changed their method of accounting for recognition of nonexchange revenue. Expenditure-driven grant provisions are determined to be a stipulation that is considered to be an eligibility requirement and as such, revenue cannot be recognized until the agreement has been executed. An adjustment to reduce net position at July 1, 2019 by $2,669,016 was made to reflect the cumulative effect related to the change in accounting principle.

Additionally, during the year ended June 30, 2020, the District elected to change the measurement date for the ATU Local 192 Benefit Trust OPEB Plan and the Retiree Benefits Non-Trust OPEB Plan. Previously the measurement date was the same as the reporting date, however, with the change the measurement date is now one year prior to the reporting date. There was no change to the actuarial date. This change was made to allow the District additional time to provide the needed information to the actuary. Additionally, it was made to allow the actuary time to prepare the required reports to the District to incorporate the balances and transactions into their financial statements in a timely manner. An adjustment to increase net position at July 1, 2019 by $4,186,469 was made to reflect the cumulative effect related to the change in accounting principle.

Below is the detailed effect of the change in accounting principle for both the adoption of Implementation Guide 2019-1 and the change in measurement date for the OPEB plans:

	Beginning balances at July 1, 2019	Changes	Beginning Balances at July 1, 2019, restated
Planning, Operating, and Other Receivables	$ 9,020	$ (2,669)	$ 6,351
Deferred Outflows of Resources - OPEB related	4,855	6,040	10,895
Net OPEB Liability	(152,960)	(1,853)	(154,813)
Net Position	(70,344)	(1,518)	(71,862)

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements Adopted:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* issued May 2020. The provisions of this Statement are effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The District adopted this guidance in the current year and delayed the implementation of all Statements and Implementation Guides, with the exception of GASB Implementation Guide 2019-1, *Implementation Guidance Update---2019* as noted previously. The adoption of the standard has no impact on the District's financial statements.

NOTE 3 – CASH AND INVESTMENTS

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

- Repurchase agreements
- Securities of U.S. government and its agencies
- California Local Agency Investment Fund
- Negotiable certificates of deposit
- Commercial paper
- Bankers' acceptances
- Money market accounts (Non-U.S. government)

The AC Transit Employees' Retirement Plan's (Plan) investments are invested pursuant to investment policy guidelines established by the Retirement Board. The long-term asset allocation of the investment portfolio is to have 28% of the portfolio invested in domestic equities, 17% in international equities, 32% in domestic fixed income securities, 12% in global asset allocation funds, 5% in real estate, 5% in private debt, and 1% in cash. The portfolio is managed by investment managers hired by the Retirement Board. The Retirement Board utilizes both active and passive management in the domestic equity portfolio. The Retirement Board has chosen to manage the investment risks described by GASB Statement No. 40 by requiring investment managers to abide by certain guidelines that are tailored to the portfolio that the manager manages. These guidelines specify the amount of credit, interest, and foreign currency risk that a manager may take and the performance objective of the portfolio.

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

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

Presentation: At June 30, 2020 (December 31, 2019 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	$ 94,452
Investments	768,796
Total	$ 863,248
Reported in the Enterprise Fund as:	
Cash and cash equivalents	$ 75,087
Restricted – current cash and cash equivalents	18,228
Restricted – noncurrent cash and cash equivalents	1,137
Investments	20,007
	114,459
Reported in the Pension Trust Fund as:	
Investments restricted for payment of accrued pension costs (at December 31, 2019)	748,789
Total	$ $863,248

Fair Value: The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure 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 District has the following recurring fair value measurements as of June 30, 2020:

- U.S. Treasury bills and notes of $20.0 million are based on quoted market prices in active markets for identical assets using the market approach (Level 1 inputs).

The fair value of mutual funds, some U.S. equity securities, and some international equity securities held by the Plan are based on quoted prices in active markets using the market approach. (Level 1 inputs) The fair value of short-term investment funds, pooled investments, some U.S. equity securities, and some international equity securities held by the Plan are based on pricing vendors using matrix pricing. (Level 2 inputs)

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Plan Investments:			
Short term investment funds	$ -	$ 6,141	$ 6,141
Mutual funds – fixed income	50,664	-	50,664
Pooled investments – fixed income	-	234,024	234,024
U.S. equity securities and funds	93,433	142,047	235,480
International equity securities – equity funds	67,075	88,387	155,462
	$ 211,172	$ 470,599	$ 681,771

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

Plan Investments Measured at Net Asset Value (NAV):

	Balance	Unfunded Commitments	Redemption
Fixed income	$ 28,983	$ 11,440	Not eligible for redemption
Real estate	38,035	$ 5,379	Quarterly redemption with 45-60 day notice
	$ 67,018		

Fixed Income – The fixed income portfolio consists of investments in two funds that make direct loans to companies. These funds are valued at the net asset value of the units held at the end of the period based upon the fair value of the underlying investments. These funds are not eligible for redemption but rather distribute proceeds over the funds' lifespans.

Real Estate – The primary objective of the real estate portfolio is income and appreciation. The real estate portfolio consists of investments in four commingled funds. These funds invest primarily in U.S. commercial real estate (office, industrial, retail, multi-family, and other). These funds are structured as open-end commingled funds and closed-end limited partnerships. The fair value of the investments in each fund is determined using third-party appraisals or internal valuations. For the two open-end funds, distribution of income is made quarterly and redemptions can be made from these funds on a quarterly basis with 45-60 days' notice. Under certain conditions, the fund manager may not allow redemptions from the open-end funds. The two closed-end limited partnerships pay distributions of income and investment sale proceeds at the manager's discretion. They do not allow client-directed redemptions.

Enterprise Fund – Specific Risks:

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

Credit Risk - The District's credit rating risk is governed by the California Government Code 53601 which limits investments in money markets to the highest ranking attained by the rating agency which is Aaa/AA+. The District had no investments in money market accounts as of June 30, 2020. There are no credit limits on the securities of U.S. Treasury since these investments are backed by the full faith and credit of the United States government.

The District had $20.0 million of U.S. Treasury notes and bills as of June 30, 2020, which were all rated Aaa/AA.

Concentration of Credit Risk - The District manages this risk by requiring that no more than 20% of its total investment portfolio (with the exception of securities of the U.S. Treasury or U.S. government agencies) be invested in a single security type or with a single financial institution. The District did not have any individual security holdings meeting or exceeding 20% of its total portfolio as of June 30, 2020.

Foreign Currency Risk - Foreign currency risk is the risk that the changes in foreign exchange rates will affect the fair value of an investment denominated in a foreign currency. At June 30, 2020, there was no exposure to foreign currency risk as all the District's cash equivalents and investments are denominated in U.S. dollar currency.

NOTE 3 – CASH AND INVESTMENTS (Continued)

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

Pension Trust Fund – Specific Risks

Interest Rate Risk - For the Plan, interest rate risk is managed through the duration of its fixed income securities. Bond prices are highly sensitive to the movement of interest rates. A decline in interest rates will tend to increase bond prices while an increase in rates will depress prices. Duration is a measure of interest rate risk with a higher duration signifying greater price volatility in response to a change in interest rates. As of December 31, 2019, the Plan had the following investments in fixed income funds. (Amounts are in thousands, Duration in years)

Fund	Amount	Duration
SSgA Aggregate Bond Index Fund	$ 137.8	5.9
Loomis, Sayles Credit Asset Fund	47.8	4.6
PIMCO Diversified Income Fund	50.7	5.4
Investec Emerging Market Debt Fund	48.4	6.3
	284.7	
Fixed income funds measured at NAV	29.0	n/a
Total fixed income funds	$ 313.7	

Credit Risk - Credit risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligation. The entire fixed income portfolio is invested in mutual and commingled funds managed by outside money managers. These funds do not have a credit rating assigned by the rating agencies.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. As of December 31, 2019, the Plan had no investments in a single issuer that equaled or exceeded 5% of the Plan's net position or the Plan's total investments.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. All of the Plan's securities except those owned in a mutual fund or a commingled fund are held by the Plan's custodial bank in the Plan's name.

Foreign Currency Risk - Foreign currency risk is the risk that the changes in foreign exchange rates will affect the fair value of an investment denominated in a foreign currency. The Plan has, or could have, exposure to foreign currencies through its investment in several commingled investments. As of December 31, 2019, investments in international equity funds (including emerging markets) totaled $155.5 million. The Plan had $172.2 million as of December 31, 2019 in fixed income investments that could have foreign currency exposure.

(Continued)

NOTE 4 – CAPITAL ASSETS

Following is a summary of capital assets at June 30, 2020 (in thousands):

	June 30, 2019	Additions	Retirements	Transfers	June 30, 2020
Non-depreciable capital assets:					
Land	$ 28,686	$ -	$ -	$ -	$ 28,686
Work in progress	105,078	59,001		(43,707)	120,372
Total	133,764	59,001	-	(43,707)	149,058
Depreciable capital assets:					
Revenue equipment	430,469	-	(8,947)	25,340	446,862
Service vehicles and other equipment	125,493	-	(1)	3,794	129,286
Buildings, structure and Improvements	322,285	-	-	14,573	336,858
Total	878,247	-	(8,948)	43,707	913,006
Less accumulated depreciation:					
Revenue equipment	(252,051)	(28,429)	8,947	-	(271,533)
Service vehicles and other equipment	(117,194)	(3,491)	1	-	(120,684)
Buildings, structure and improvements	(197,226)	(12,745)	-	-	(209,971)
Total	(566,471)	(44,665)	8,948	-	(602,188)
Depreciable capital assets net of accumulated depreciation	311,776	(44,665)	-	43,707	310,818
Capital assets, net of accumulated depreciation	$ 445,540	$ 14,336	$ -	$ -	$ 459,876

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2020 and the Pension Trust Fund is reported as of December 31, 2019; therefore, interfund payables and receivables do not equal. Interfund receivables and payables arise due to the following two reasons:

First, the timing of reimbursements from the Pension Trust Fund for administration costs and retiree benefits payments made by the District. At June 30, 2020 and December 31, 2019, the Pension Trust Fund had a payable to the Enterprise Fund of $5.5 million and $5.0 million, respectively, for these administration costs and retiree benefits payments made by the District.

Second, payments to the Pension Trust Fund for contributions based on covered payroll. At June 30, 2020 and December 31, 2019, the Pension Trust Fund had a receivable from the Enterprise Fund of $4.9 million and $4.8 million, respectively, for contributions to be made by the Enterprise Fund to the Pension Trust Fund.

(Continued)

NOTE 6 – CAPITAL CONTRIBUTIONS ASSISTANCE

The District has several grant contracts in process with the FTA that provide federal funds for the acquisition of buses, other equipment and improvements. Under the terms of the grants, proceeds from equipment sold or retired are refundable to the federal government in proportion to the original federal capital grant funds used in the purchase. The District has also received allocations of funds generated from net bridge toll revenues of the San Francisco-Oakland Bay Bridge and from PTMISEA grants, see Note 11. These funds are received under provisions of the California Streets and Highways Code and are allocated based on claims approved by the Metropolitan Transportation Commission (MTC). These grants are summarized for the year ended June 30, 2020 as follows (in thousands):

Federal grants	$ 8,862
State and local grants	26,444
	$ 35,306

NOTE 7 – OPERATING ASSISTANCE

State and Local Operating Assistance: The Transportation Development Act (TDA) creates in each local jurisdiction a Local Transportation Fund that is funded by a 1/4 cent from the retail sales tax collected statewide. State Transit Assistance (STA) funds are generated by the state's sales tax on diesel fuel. The California Department of Tax and Fee Administration (CDTFA) (previously known as the State Board of Equalization) returns these funds to the local jurisdiction according to the amount of sales taxes collected in that jurisdiction. TDA funds are allocated to the District from Alameda and Contra Costa counties to meet, in part, the District's operating requirements. The allocation is based on population within the District.

In 2004, voters approved Regional Measure 2 (RM2), raising the toll on regional state-owned toll bridges by $1. The measure established a Regional Traffic Relief Plan to help finance highway, transit, bicycle and pedestrian projects in the bridge corridors and their approaches, and to provide operating funds for key transit services.

Below is a summary of state and local operating assistance for the year ended June 30, 2020 (in thousands):

Local operating assistance:	
Operating revenues	$ 9,492
Transportation Development Act	76,626
Regional Measure 2	11,820
Less amount reported within non-operating revenues of JPA and consortium	(7,282)
	$ 90,656
State operating assistance:	
State Transit Assistance	$ 32,041
Supplementary service/Welfare-to-Work	500
Pass thru	5,266
Less amount reported within non-operating revenues of JPA and consortium	(6,524)
	$ 31,283

(Continued)

NOTE 7 – OPERATING ASSISTANCE (Continued)

Local Sales Tax: The local sales tax assistance (AB 1107) is derived from the one-half percent retail tax imposed on the three BART counties (Alameda, Contra Costa and San Francisco). Of the total amount collected, 75% is a direct BART subsidy with the District and the San Francisco Municipal Railway System (MUNI) sharing the remaining 25% equally.

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

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

In 2015, the District began receiving local sales tax revenue under Measure BB. Approved by the voters of Alameda County, Measure BB provides for the collection and distribution by the Alameda County Transportation Authority of an existing one-half percent transaction and use tax scheduled to terminate on March 31, 2022 and the augmentation of the tax by an additional one-half percent. The District is authorized to receive 23.3% of the annual tax collected under the condition that money be used for transportation improvements benefitting Alameda County.

Local sales tax assistance for the year ended June 30, 2020, is summarized below (in thousands):

AB 1107	$ 44,486
Measure B	31,001
Measure J	4,784
Measure BB	34,304
Less amount reported within non-operating revenues of JPA and consortium	(12,832)
	$ 101,743

Federal Operating Assistance: All federal funding sources are distributed by FTA after approval by the MTC. Federal operating funding sources for the year ended June 30, 2020 are summarized below (in thousands):

5307 and 5309 Operating grants	$ 11,172
COVID-19 – CARES Act grant	30,000
	$ 41,172

At June 30, 2020, federal grant funds totaling $30.1 million were recorded as a receivable.

(Continued)

NOTE 8 – LONG-TERM LIABILITIES

The following is a summary of changes in the District's long-term liabilities for the year ended June 30, 2020 (in thousands):

	Original Issue Amount	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Amount Due Within One Year
Direct Placements						
2009A COP						
3% - 6.125%, due						
August 1, 2034	$ 15,000	$ 11,465	$ -	$ (11,465)	$ -	$ -
Less unamortized discount		(296)	-	296	-	-
2019 Refunding COP						
2.195% - 3.326%, due						
August 1, 2034	11,655	-	11,655	-	11,655	-
Total direct placements		11,169	11,655	(11,169)	11,655	-
Conduit Debt						
Revolving Line of Credit						
LIBOR + .35%, due						
August 1, 2022		-	15,000	-	15,000	-
Total long-term debt		11,169	26,655	(11,169)	26,655	-
Other long-term liabilities						
Accrued vacation and sick leave		26,595	15,621	(12,070)	30,146	20,184
Claims liabilities (Note 13)		71,598	19,109	(20,779)	69,928	16,480
Remediation obligations (Note 12)		1,019	-	-	1,019	67
Total long-term liabilities		$ 110,381	$ 34,729	$ (33,314)	$ 123,451	$ 51,856

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

On December 11, 2019, the Corporation issued Refunding Certificates of Participation Series 2019 (2019 COPS). The proceeds (less $408,000 of issuance costs and underwriters fees) from the issuance of the $11.66 million were used to refund and retire the 2009A COPS. In connection with this transaction, the Corporation incurred a deferred loss on refunding that is reported as a deferred outflow of resources in the amount of $583,000 which will be recognized as a component of interest expense over the remaining life of the debt. Interest on the 2019 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2034. There is no right under any circumstances to accelerate the payments or otherwise declare any payments not then in default to be immediately due and payable.

The Corporation advance refunded the Series 2009A COPS to reduce its total debt service payments over the next 23 years by approximately $2,094 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $1,984.

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Revolving Line of Credit: On August 1, 2019, the District secured a Revolving Line of Credit (credit agreement) to support the delivery of the East Bay Bus Rapid Transit Project (BRT). The amount outstanding under the credit agreement may not exceed $35 million at any one time and has a maturity date of August 1, 2022. The amount of unused line of credit at June 30, 2020 is $20 million. Interest is to be paid quarterly at an applicable rate of London Inter-Bank Offered Rate (LIBOR) plus 0.35%. There is also a commitment fee to be paid quarterly that accrues at a rate of 0.2% per annum on the unused line of credit.

In the event of a default that occurs and continues, including the failure to pay principal or interest of any debt when due, failure to perform any provision in the agreement, voluntary bankruptcy of the District, or a court-ordered bankruptcy of the District, credit agreement is subject to acceleration.

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

Year Ended	Principal	Interest	Total
2021	$ -	$ 47	$ 47
2022	15,000	340	15,340
2023	435	336	771
2024	800	322	1,122
2025	820	302	1,122
Thereafter			
2026-2030	4,445	1,163	5,608
2031-2034	5,155	432	5,587
Total	$ 26,655	$ 3,282	$ 29,937

Debt Limit: Board policy on debt management (as defined by Board Policy 316) states that "total annual debt service expenses shall not exceed ten percent of operating revenue (including subsidies) provided that in no event shall such indebtedness exceed twenty percent of assessed value of all real and personal property within the District." The District's legal annual debt service limit as June 30, 2020, is approximately $50 million.

Arbitrage: The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

NOTE 9 – PENSION PLAN

Plan Description: The AC Transit Employees' Retirement Plan (Plan) is a single-employer defined benefit pension plan, which provides retirement benefits for all qualifying union and non-union employees. Administration of the Plan is performed by the Plan's management staff and overseen by the Plan's Retirement Board. The Plan issues stand-alone financial statements on a calendar year basis. Copies of these financial statements can be obtained from the District Controller, 1600 Franklin Street, Oakland, CA 94621.

(Continued)

NOTE 9 – PENSION PLAN (Continued)

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

Benefits Provided: Benefit provisions are established in the Plan document. The Plan document cannot be changed by the Retirement Board. Any change to the Plan document must be made by the District Board and for represented employees no changes can be made without the consent of the applicable union. Retirement benefits vest after either eight years of service or five years of service, depending on the employee's classification. Most District employees who retire at or after age 55 with vested benefits are entitled to an annual retirement benefit, payable monthly for life, at a rate based upon age, the higher of either the average of the last 36 months of employment or the average of the highest three years of earnings and the completed years of service with the District.

Participants Covered by Benefit Terms: As of December 31, 2019, employee membership in the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	2,147
Terminated employees entitled to benefits but not yet receiving them	172
	2,319
Current employees:	
Vested	1,106
Non-vested	1,135
	2,241

Contributions: The District makes contributions, based upon the Plan's actuarial calculation each fiscal year. As of January 1, 2013 (January 1, 2016 for public transit districts), California law required all new participants in a public retirement system to make employee contributions that covered at least 50% of the normal cost of the retirement benefits accrued each year. This contribution obligation did not apply to unrepresented District employees hired prior to January 1, 2016. The application of that obligation to employees who are in bargaining units represented by employee organizations and who were hired after that date remains under consideration. For the year ended June 30, 2020, the District's average contribution rate was 31.75% of annual covered payroll and the District's contributions to the Plan were $58.2 million.

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

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (9 years remaining as of 1/1/2019) with separate periods of Extraordinary Actuarial Gains or Losses (20 years as of 1/1/2019) and 20-year closed periods for all UAL changes after 1/1/17 due to actuarial gains and losses or changes in assumptions and methods
Asset valuation method	5-year smoothed market, 80%/120% corridor around market

(Continued)

NOTE 9 – PENSION PLAN (Continued)

Actuarial assumptions:

Investment rate of return	7.00%, net of investment expense
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service
Health Mortality	RP-2014 Adjusted to 2006 Blue Collar Annuitant Mortality Table (110% adjustment factor for male ATU/IBEW members and 130% for ATU/IBEW females, 110% adjustment factor for male AFSCME/Non-Union members), projected with generational improvements using MP-2018

Measurements as of the reporting date are based on the fair value of assets as of December 31, 2019, and the total pension liability as of the valuation date, January 1, 2019, rolled forward to December 31, 2019. There were no significant events between the valuation date and the measurement date. The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2018.

Mortality rates were based on the Sex distinct RP-2000 Combined Mortality tables with ages set forward one year for ATU/IBEW members and no set-forward for AFSCME/Non-Union members.

The long-term expected rate of return on the pension plan investments was determined using a building block method which estimates expected future rates of return (net of inflation) for each major asset class.

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Large Cap Domestic Equity	22%	5.4%
Domestic Small Cap Equity	6%	6.4%
International Equity	14%	6.3%
International Small Cap Equity	3%	7.0%
Emerging Market Equity	6%	9.9%
Fixed Income (Core)	19%	1.1%
Fixed Income (Credit)	13%	3.1%
Emerging Market Debt	6%	3.4%
Real Estate	5%	5.4%
Private Debt	5%	5.9%
Cash	1%	0.0%
	100%	

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – In fiscal year 2019 the discount rate was reduced from 7.125% to 7.00% and price inflation was decreased from 3.00% to 2.75%. Additionally, updated mortality tables were used and an updated experience study was used.

(Continued)

NOTE 9 – PENSION PLAN (Continued)

Changes Since the Measurement Date – There were no changes between the measurement date and the District's reporting date.

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, the expected Administrative Expenses, and an amount necessary to amortize the remaining unfunded actuarial liability (UAL) as a level percentage of payroll. The remaining portion of the extraordinary investment loss from 2008 is being amortized over a closed period, with 20 years remaining as of January 1, 2019. The remainder of the UAL is being amortized over a closed period, with 9 years remaining as of January 1, 2019. Any future changes in the UAL will be amortized over new closed layers. Actuarial gains or losses and changes in assumptions are amortized over a closed 20-year period. Based on these policies, the plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability: The components of the net pension liability of the District at the measurement date of December 31, 2019 are as follows (in thousands):

Total pension liability	$ 1,016,940
Less Plan fiduciary net position	746,853
District's net pension liability	$ 270,087
Funded ratio (Plan's fiduciary net position / total pension liability)	73.5%

The changes in the net pension liability for the Plan follows (in thousands):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at January 1, 2019	$ 981,073	$ 641,535	$ 339,538
Changes for the year:			
Service cost	25,699	-	25,699
Interest	67,116	-	67,116
Difference between expected and actual experience	8,617	-	8,617
Change of assumptions	(5,244)	-	(5,244)
Contributions – employer	-	56,863	(56,863)
Contributions – member	-	92	(92)
Net investment income	-	110,146	(110,146)
Benefit payments	(60,321)	(60,321)	-
Administrative expense	-	(1,462)	1,462
Net changes	35,867	105,318	(69,451)
Balance at December 31, 2019	$ 1,016,940	$ 746,853	$ 270,087

(Continued)

NOTE 9 – PENSION PLAN (Continued)

Sensitivity of the net pension liability to changes in the discount rate: In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following table presents the net pension liability (in thousands) as of June 30, 2020, calculating using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate of 1-percent-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate.

	(6.00%) 1% Decrease	(7.00%) Current Discount	(8.00%) 1% Increase
Net pension liability	$ 377,624	$ 270,087	$ 178,288

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued AC Transit Employees' Retirement Plan audited financial statements and may be obtained from the District Controller.

For the year ended June 30, 2020, the District recognized pension expense of $62.6 million. At June 30, 2020, the District reported deferred outflows of resources related to pensions from the following sources (in thousands):

	Outflows of Resources	Inflows of Resources
Employer contributions subsequent to measurement date	$ 29,470	$ -
Differences between expected and actual experience	10,075	2,313
Changes in assumptions	6,025	4,195
Net difference between projected and actual earnings on pension plan investments	-	21,887
Total	$ 45,570	$ 28,395

Deferred outflows of resources related to contributions subsequent to the measurement date of $29.5 million will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (in thousands):

	Deferred Outflows/ Inflows of Resources
June 30, 2021	$ (5,335)
June 30, 2022	(1,688)
June 30, 2023	7,135
June 30, 2024	(12,407)
	$ (12,295)

Payable to the Pension Plan: As disclosed in Note 5, the District reported a payable of $4.9 million for the outstanding amount of contributions to the Plan for the year ended June 30, 2020.

(Continued)

NOTE 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

ATU Local 192 Benefit Trust

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

Benefits Provided: Individuals are eligible for retiree benefits with the following subsidies at age 55 with eight years of service for ATU and at age 55 with 10 years of service for AFSCME/IBEW. The Trust subsidizes a portion of medical insurance premiums or reimburses eligible medical expenses in an amount not to exceed the following negotiated monthly amounts:

ATU Local 192	Pre-Age 65: $691	Post-Age 65: $335
AFSCME	Pre-Age 65: $691	Post-Age 65: $335
IBEW	Pre-Age 65: $691	Post-Age 65: $335

No subsidy is provided for spouse coverage for IBEW and AFSCME. After the death of an ATU retiree, a subsidy of $150 per month is available for the life of the surviving spouse. No dental, vision, or life insurance benefits are included.

Participants Covered by Benefit Terms: As of June 30, 2019, employee membership in the Trust was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,105
Active plan members	2,138
	3,243

Contributions: The District is required to make contributions to the Trust based on the number of hours worked by active union employees. The establishment and modification of the memorandums of understanding between the District and the respective bargaining units creates the authority under which the District is obligated to make its contributions. For fiscal year 2020, the required contribution rates were as follows:

ATU Local 192	$1.40 per hour per employee (will increase to $1.50 per hour If the Trust's funds fall below $2 million in assets.)
AFSCME	$0.91 per hour per employee
IBEW	$1.04 per hour per employee

For the year ended June 30, 2020, the District's contributions to the Trust were $4.5 million. As of June 30, 2020, no employee contributions have been received by the Trust.

(Continued)

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

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

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	1.00%
Administrative expenses	3.00% of benefits
Salary increases	3.50%
Health Mortality	ATU/IBEW Retirees and beneficiaries: RP-2014 Headcount Weighted Blue Collar annuitant base table, adjusted to 2006, with 110% adjustment factor to base rates for males and 130% for females. AFSCME: RP-2014 Headcount-Weighted Blue Collar annuitant base table, adjusted to 2006, with 110% adjustment factor to base rates for males and no adjustment for females Active members: RP-2014 Non-Annuitant Blue Collar Table Adjusted to 2006

Measurements as of the reporting date are based on the fair value of assets as of June 30, 2019 and the total OPEB liability as of the valuation date, June 30, 2019. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study performed in 2015.

Best estimates of the arithmetic real rates of return for each major asset class included in the Trust's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Short term investments	100%	1.0%

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The mortality improvement scale was updated from MP-2018 on a fully generational basis to MP-2019 on a fully generational basis.

Discount Rate: The discount rate used to measure the total OPEB liability was 2.79%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the Trust based on the negotiated required contribution for each bargaining unit. Based on those assumptions, the Trust's fiduciary net position was never projected to be greater than the benefits to be made in all years. The plan fiduciary net position will not be sufficient to make all benefit payments due for current participants in the coming year and will not be sufficient to make any benefit payments thereafter. As a result, the discount rate was determined using the June 30, 2019 municipal bond rate.

(Continued)

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

Net OPEB Liability: The components of the net OPEB liability of the District at the measurement date of June 30, 2019 are as follows (in thousands):

Total OPEB liability	$ 99,747
Less: Trust fiduciary net position	(3,900)
District's net OPEB liability	$ 95,847
Funded ratio (Trust's fiduciary net position / total OPEB liability)	3.92%

The changes in the net OPEB liability for the Trust follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Trust Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	$ 102,588	$ 3,669	$ 98,919
Changes for the year:			
Service cost	3,762	-	3,762
Interest	2,910	-	2,910
Difference between expected and actual experience	(31)	-	(31)
Changes of assumptions	(5,396)	-	(5,396)
Contributions – employer	-	4,541	(4,541)
Net investment loss	-	(89)	89
Benefit payments	(4,086)	(4,086)	-
Administrative expense	-	(135)	135
Net changes	(2,841)	231	(3,072)
Balance at June 30, 2019	$ 99,747	$ 3,900	$ 95,847

Sensitivity of the net OPEB liability to changes in the discount rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2020, calculating using the discount rate of 2.79%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate of 1-percent-point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate.

	(1.79%) 1% Decrease	(2.79%) Current Discount	(3.79%) 1% Increase
Net OPEB liability	$ 107,513	$ 95,847	$ 86,010

Sensitivity of the net OPEB liability to changes in the health care trend rate: The Trust Plan only provides for a fixed subsidy to retirees. Therefore, the total liability is not affected by changes in the health care trend rate. Sensitivity analysis is not applicable.

(Continued)

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

OPEB plan fiduciary net position: For the year ended June 30, 2020, the District recognized OPEB gain of $3.6 million. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	Outflows of Resources	Inflows of Resources
Employer contributions subsequent to measurement date	$ 4,500	$ -
Differences between expected and actual experience	-	41,926
Changes in assumptions	5,227	5,396
Net difference between projected and actual earnings on OPEB plan investments	187	39
Total	$ 9,914	$ 47,361

Deferred outflows of resources related to contributions subsequent to the measurement date of $4.5 million will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Othe amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

	Deferred Outflows/ Inflows of Resources
June 30, 2021	$ 6,599
June 30, 2022	6,599
June 30, 2023	6,744
June 30, 2024	6,848
June 30, 2025	6,881
June 30, 2026	6,822
June 30, 2027	954
June 30, 2028	500
	$ 41,947

Retiree Benefits Non-Trust Plan

Plan Description: The District administers a single-employer defined benefit post-employment plan called the Retiree Benefits Non-Trust Plan (the OPEB Plan) to assist eligible retirees with their medical costs. The OPEB Plan provides medical, dental, vision and life insurance benefits to all vested retirees and their spouses at least 55 years old by paying the current participating providers' insurance premiums. The medical insurance benefit is also available for a retiree's dependent, if applicable. The OPEB Plan differs from the Trust in that it provides Trust plan members supplemental healthcare benefits in addition to medical benefits, as well as providing medical benefits to District employees who are unrepresented. Insurance premium rates are negotiated between the District and the respective bargaining units. The District has historically adopted rates based on the premiums offered by participating providers.

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

During fiscal year 2018, the District joined the California Employer's Retirement Benefit Trust Program (CERBT) to pre-fund OPEB liabilities. The CERBT is an agent multiple employer plan consisting of an aggregation of single-employer plans, with pooled administrative and investment functions that are administered by CalPERS. A copy of the aggregate CERBT annual financial report may be obtained at www.calpers.ca.gov. CERBT serves as an irrevocable trust, ensure that funds contributed into the Trust are dedicated to service the needs of member districts, and their employees and retirees. The OPEB Plan does not issue stand-alone financial statements.

Benefits Provided: Individuals are eligible for retiree benefits with the following subsidies at age 55 with eight years of service for ATU and at age 55 with 10 years of service for AFSCME/IBEW.

Medical benefits before age 65 (HMO) – The District does not subsidize directly.

Medical benefits after age 65 (HMO) – The District subsidizes a fixed $40.00 per month for single coverage and $80.00 per month for dual coverage directly from the District assets. This amount is in addition to subsidy provided under the Trust Plan.

Dental benefits – The District subsidizes a fixed $20.00 per month for any level of dental coverage. If retiree waives dental coverage, the retiree is given $20.00 as additional earnings in pension. If the retiree dies and surviving spouse was enrolled in the dental plan, the spouse also receives $20.00 subsidy. If the surviving spouse waives dental coverage, the spouse receives $20.00 as additional earnings.

Vision benefits – The District subsidizes the full cost (currently $14.90 per month) for single coverage only. If the spouse was enrolled in vision plan at the time of retiree's death, the spouse is eligible to elect vision at no cost.

Life insurance benefits – The District subsidizes $14.18 per month for retiree only.

Non-represented participants are eligible for retiree benefits with the following subsidies at age 50 with 5 years of service.

Medical benefits before age 65 (HMO) – The District subsidizes a percentage of the lowest offered premium (currently $1,022.07 per month). The spouse is also eligible for the lowest offered premium, but the spouse must contribute $100.00 per month.

Medical benefits after age 65 (HMO) – The District subsidizes a percentage of the lowest offered premium (currently $371.74 per month) for the retiree. The District also gives the retiree and the spouse $40.00 each if they are enrolled in Medicare Parts A and B. The spouse is also eligible for lowest offered premium, but the spouse must contribute $100.00 per month. Subsidized spouse medical benefit coverage continues after the death of the retiree if the spouse continues to make the requisite $100 per month contribution. The spouse of an employee who dies in active service is not eligible for subsidized coverage.

Dental benefits – The District subsidizes $76.58 per month for single coverage. No additional subsidy is assumed for dependent coverage.

Vision benefits – The District Subsidizes $14.75 per month for single coverage. No subsidy is assumed for dependent coverage.

Life insurance benefits – The District subsidizes $14.18 per month for single coverage. No subsidy is assumed for dependent coverage.

(Continued)

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

Participants Covered by Benefit Terms: As of June 30, 2019, employee membership in the OPEB Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,587
Active plan members	2,219
	3,806

Contributions: The District has historically funded the OPEB Plan on a pay-as-you-go basis. There is currently no requirement for either the District or the OPEB Plan members to make contributions to the OPEB Plan. For the year ended June 30, 2020, the District's contributions to the OPEB Plan were $2.3 million ($2.3 million in benefit payments and $0 million to the CERBT). As of June 30, 2020, no employee contributions have been received by the OPEB Plan.

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

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.59%
Health care trend rate	Pre-65: 7.0% for FY2020, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2024 and later Post-65: 5.5% for FY2020, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2022 and later
Salary increases	3.50%
Health Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis for Union employees and retirees. RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis used for non-represented employees and retirees.

Measurements as of the reporting date are based on the fair value of assets as of June 30, 2019 and the total OPEB liability as of the valuation date, June 30, 2019. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study performed in 2015.

(Continued)

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

Best estimates of the arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return Years 1-10	Long Term Expected Real Rate of Return Years 11-60
Global equity	59%	5.25%	5.71%
Fixed income	25%	1.79%	2.40%
Real Estate Investment Trusts	8%	3.25%	7.88%
Treasury Inflation-Protected Securities	5%	1.00%	2.25%
Commodities	3%	0.34%	4.95%

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – There were no changes in assumptions or benefits since the prior measurement date

Discount Rate: The discount rate used to measure the total OPEB liability was 2.79%. The projection of cash flows used to determine the discount rate assumed that the District will continue to contribute to the OPEB Plan based on the negotiated required contribution for each bargaining unit. Based on those assumptions, the OPEB Plan's fiduciary net position was never projected to be greater than the benefits to be made in all years. The plan fiduciary net position will not be sufficient to make all benefit payments due for current participants in the coming year, and will not be sufficient to make any benefit payments thereafter. As a result, the discount rate was determined using the June 30, 2019 municipal bond rate.

Net OPEB Liability: The components of the net OPEB liability of the District at the measurement date of June 30, 20219 are as follows (in thousands):

Total OPEB liability	$ 48,630
Less OPEB Plan fiduciary net position	(2,623)
District's net OPEB liability	$ 46,007
Funded ratio (OPEB Plan's fiduciary net position / total OPEB liability)	5.39%

The changes in the net OPEB liability for the OPEB Plan follows (in thousands):

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	$ 56,894	$ 1,000	$ 55,894
Changes for the year:			
Service cost	1,818	-	1,818
Interest	1,606	-	1,606
Difference between expected and actual experience	(3,438)	-	(3,438)
Changes of assumptions	(5,919)	-	(5,919)
Contributions – employer	-	3,831	(3,831)
Net investment income	-	124	(124)
Administrative expenses	-	(1)	1
Benefit payments	(2,331)	(2,331)	-
Net changes	(8,264)	1,623	(9,887)
Balance at June 30, 2019	$ 48,630	$ 2,623	$ 46,007

(Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2020, calculating using the discount rate of 2.79%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate of one-percent-point lower (1.79%) or one-percentage-point higher (3.79%) than the current rate.

	(1.79%) 1% Decrease	(2.79%) Current Discount	(3.79%) 1% Increase
Net OPEB liability	$ 53,754	$ 46,007	$ 39,757

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate: The following table presents the net OPEB liability (in thousands) as of June 30, 2020, calculating using the health care trend rate of 7.00% (pre-65) and 5.50% (post-65), as well as what the District's net OPEB liability would be if it were calculated using a health care trend rate of one-percent-point lower (6.00% and 4.5%) or one-percentage-point higher (8.00% and 6.50%) than the current rate.

	(6.00% pre-65) (4.50% pre-65) 1% Decrease	(7.00% pre-65) (5.50% pre-65) Current Discount	(8.00% pre-65) (6.50% pre-65) 1% Increase
Net OPEB liability	$ 41,146	$ 46,007	$ 52,179

OPEB plan fiduciary net position: For the year ended June 30, 2020, the District recognized OPEB expense of $2.3 million. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources (in thousands):

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	$ 525	$ 4,538
Changes in assumptions	1,942	5,919
Difference between projected and actual investment earnings	-	91
Total	$ 2,467	$ 10,548

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

	Deferred Outflows/ Inflows of Resources
June 30, 2021	$ 1,101
June 30, 2022	1,101
June 30, 2023	1,101
June 30, 2024	1,101
June 30, 2025	1,107
June 30, 2026	1,362
June 30, 2027	1,208
	$ 8,081

(Continued)

NOTE 11 – COMMITMENTS

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

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

The California Department of Transportation (CalTrans) determined that the District was eligible to receive an additional allocation totaling $8.8 million (2009 allocation). The funds were sent to the District prior to its purchase of the buses but are committed to funding future bus purchases. The funds must be encumbered within three years and expended within three years of being encumbered.

The District also acts a pass-through agency for the Transbay Joint Powers Authority (the TJPA) for various transportation projects such as the Transbay Transit Center.

In fiscal year 2020, the District did not receive any additional funding, and $5.7 million of cost was incurred on various capital projects' design services, construction services and equipment.

The following table shows the changes in activity related to the PTMISEA grant funds during the fiscal year as well as the remaining commitment as of June 30, 2020 (in thousands):

Total Allocations as of June 30, 2020	Less Allocations Passed-through to TJPA as of June 30, 2020	Total Allocations Received in FY 2020	Cumulative Expenses Incurred through June 30, 2020	Interest Income	Commitment at June 30, 2020
$ 112,515	$ 24,586	$ -	$ 82,724	$ 508	$ 5,713

NOTE 12 – CONTINGENCIES

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

Pollution Remediation: The District has an estimated $1.0 million in liabilities for the monitoring and potential clean-up costs for pollution remediation obligations. The District has several locations where soil and groundwater have been contaminated.

The Alameda County Health Care Services Agency (ACHCS) and the Alameda County Water District (ACWD) issued directives to the District to perform groundwater monitoring and require conceptual models and feasibility studies to address possible mitigation measures. The estimated liabilities were measured at current value using the expected cash flow technique for each obligating event based on current and estimated costs. Changes to estimated liabilities will be made when new information, such as changes in remediation plans, technology and legal or regulatory requirements, becomes available. There were no changes in estimates for the year ending June 30, 2020.

(Continued)

NOTE 12 – CONTINGENCIES (Continued)

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

Remaining projected contributions are scheduled as follows (in thousands):

	Payments
2021	$ 1,500
2022	2,000
2023	2,000
2024	2,000
2025	2,000
Thereafter	13,300

Business Disruption: In March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a global pandemic. COVID-19 has impacted economic activity and financial markets globally and locally and has resulted in a decrease in passenger fare and sales tax revenue and an increase in operating expenses. The continued spread of the disease represents a significant risk that operations could be disrupted in the near future. However, the District received Federal CARES Act funding and created health and safety guidelines to help mitigate the impact of the disruption in operations for the year ended June 30, 2020 and the subsequent fiscal year.

The extent to which COVID-19 impacts the District will depend on future developments, which are still highly uncertain and cannot be predicted. As a result, the District cannot determine the impact this disruption may have on its financial statements for the year ending June 30, 2021.

NOTE 13 – RISK MANAGEMENT

As of June 30, 2020, the District has the following coverages:

Type of Coverage	Deductible	Coverage Limit
General Liability	$1,000,000	$2,000,000 per occurrence with excess up to $53,000,000
Auto Liability	$2,000,000	$2,000,000 per occurrence with excess up to $53,000,000
Workers' Compensation	$1,000,000	Statutory Limit
Property, Boiler and Machinery, Auto Physical Damage	$100,000	$100,000,000

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

(Continued)

NOTE 13 – RISK MANAGEMENT (Continued)

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

	Workers' Compensation Liability	Public Liability	Dental Liability	Total
Balance at June 30, 2018	$ 59,417	$ 13,027	$ 255	$ 72,699
Claims and changes in estimates	10,224	3,147	834	14,205
Claim payments	(12,939)	(2,123)	(245)	(15,306)
Balance at June 30, 2019	$ 56,702	$ 14,051	$ 845	$ 71,598
Claims and changes in estimates	14,754	(608)	4,963	19,108
Claim payments	(12,601)	(3,239)	(4,939)	(20,779)
Balance at June 30, 2020	$ 58,855	$ 10,204	$ 869	$ 69,928

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the previous year.

The classification of the current and long-term portion of the self-insurance liabilities for the year ended June 30, 2020 are summarized as follows (in thousands):

	Current	Long-term	Total
Workers' compensation liability	$ 14,278	$ 44,577	$ 58,855
Public liability	1,333	8,871	10,204
Dental liability	869	-	869
	$ 16,480	$ 53,448	$ 69,928

NOTE 14 – JOINT POWERS AUTHORITY (JPA) AND CONSORTIUM

In 1994, the District and BART executed a joint powers authority (JPA) agreement establishing the East Bay Paratransit Consortium. In addition to self-generated farebox revenues by these services, the District supports the project primarily through Federal, State, and local subsidies, designated at source to these programs with short falls covered by its own operating funds. The purpose of the Consortium is to provide Americans with Disabilities complementary paratransit services in Alameda and western Contra Costa counties. The area served encompasses the AC Transit/BART coordinated service area. Revenues and expenses for the Consortium are split 69/31 between the District and BART, respectively, and the District's financial statements reflect its portion of revenues and expenses as operating activities. The District has no equity interest in the Consortium.

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

(Continued)

NOTE 14 – JOINT POWERS AUTHORITY (JPA) AND CONSORTIUM (Continued)

Since July 1, 1993, under a cooperative agreement, the District has also been serving as the lead agency in a consortium that also includes BART, The City of Union City, San Mateo County Transit District (SamTrans) and the Santa Clara Valley Transportation Authority (VTA) to provide Dumbarton Express Bus Service which runs from the Union City Bart Station across the Dumbarton Bridge into Santa Clara and San Mateo counties, including a connection with CalTrain. Over this timespan this service has been periodically put out to bid, and typically it has been run by a third party purchased transportation provider. While the District is the lead agency, funding from other agencies is directed to the District to support this consortium service.

In fiscal year 2020, the District recognized $28.7 million of revenue and subsidy and incurred $31.2 million of expenses related to the JPA and the Consortium. Neither the JPA nor the Consortium issue separate financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION PLAN - SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

	2020	2019	2018	2017	2016	2015
Total pension liability:						
Service cost	$ 25,699	$ 22,789	$ 21,186	$ 18,740	$ 16,614	$ 16,698
Interest	67,116	66,063	64,249	62,964	57,571	55,840
Differences between expected And actual experience	8,617	5,058	369	(11,563)	(2,243)	-
Changes of assumptions	(5,244)	10,041	-	-	52,583	-
Benefit payments, including refunds of member contributions	(60,321)	(56,697)	(54,631)	(52,560)	(49,875)	(47,410)
Net changes in total pension liability	35,867	47,254	31,173	17,581	74,649	25,127
Total pension liability, beginning	98,073	933,819	902,646	885,065	810,416	785,289
Total pension liability, ending	$ 1,016,940	$ 981,073	$ 933,819	$ 902,646	$ 885,065	$ 810,416
Plan fiduciary net position:						
Contributions – employer	$ 56,863	$ 54,723	$ 52,369	$ 48,479	$ 42,274	$ 40,384
Contributions – member	92	19	-	-	-	-
Net investment income (loss)	110,146	(34,344)	87,481	46,601	(1,458)	23,507
Benefit payments, including refunds of member contributions	(60,321)	(56,697)	(54,631)	(52,560)	(49,875)	(47,410)
Administrative expense	(1,462)	(1,050)	(1,033)	(1,007)	(863)	(867)
Net change in plan fiduciary net position	105,318	(37,349)	84,186	41,513	(9,922)	15,614
Plan fiduciary net position, beginning	641,535	678,884	594,698	553,185	563,107	547,493
Plan fiduciary net position, ending	$ 746,853	$ 641,535	$ 678,884	$ 594,698	$ 553,185	$ 563,107
Net pension liability, ending	$ 270,087	$ 339,538	$ 254,935	$ 307,948	$ 331,880	$ 247,309
Plan fiduciary net position as a percentage of the total pension liability	73.44%	65.40%	72.70%	65.88%	62.50%	69.48%
Covered payroll	$ 183,248	$ 176,763	$ 167,786	$ 150,234	$ 133,012	$ 129,310
Net pension liability as a percentage of covered payroll	147.39%	192.09%	151.94%	204.98%	249.51%	191.25%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2020, FY2019, or FY2018.
Changes in assumptions	In FY2020, the discount rate was reduced from 7.125% to 7.00%. In FY2019, the discount rate was reduced from 7.25% to 7.125%. Additionally, there were minor changes in the mortality tables. There were no changes in assumptions in FY2018 or FY2017. In FY2016, there were changes in the demographic assumptions, which among other things included the adoption of generational mortality assumptions. Additionally, there were minor changes in the mortality tables.

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

The amounts presented for each fiscal year were determined as of the December 31 year-end that occurred within the fiscal year.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION PLAN - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS – LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation To the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll*	Contributions as a Percentage of Covered Payroll
2015	$ 40,384	$ 40,384	$ -	$ 129,310	31.23%
2016	42,274	42,274	-	133,012	31.78%
2017	48,479	48,479	-	150,234	32.27%
2018	52,369	52,369	-	167,786	31.21%
2019	54,723	54,723	-	176,763	30.96%
2020	56,863	56,863	-	183,248	31.03%

* Payroll is based on total actual calendar year covered payroll, provided by the Plan.

Notes to Schedule:

Valuation date	January 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (9 years remaining as of 1/1/2019) with separate periods of Extraordinary Actuarial Gains or Losses (20 years as of 1/1/2019) and 20 year closed periods for all UAL changes after 1/1/17 due to actuarial gains and losses or changes in assumptions and methods
Asset valuation method	5-year smoothed market, 80% / 120% corridor around market
Actuarial assumptions:	
Discount rate	7.00%
Amortization growth rate	3.00%
Price inflation	2.75%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	RP-2014 Adjusted to 2006 Blue Collar Annuitant Mortality Table (110% adjustment factor for male ATU/IBEW members and 130% for ATU/IBEW females, 110% adjustment factor for male AFSCME/Non-Union members), projected with generational improvements using MP-2018

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (TRUST) - SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET OPEB LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

	2020	2019	2018
Total OPEB liability:			
Service cost	$ 3,762	$ 3,821	$ 3,475
Interest	2,910	3,206	4,713
Differences between expected and actual experience	(31)	(3,880)	(48,101)
Changes of assumptions	(5,396)	1,781	857
Benefit payments	(4,086)	(4,086)	(4,220)
Net changes in total OPEB liability	(2,841)	842	(43,276)
Total OPEB liability, beginning	102,588	101,746	145,022
Total OPEB liability, ending	$ 99,747	$ 102,588	$ 101,746
Plan fiduciary net position:			
Contributions – employer	$ 4,541	$ 4,541	$ 4,739
Net investment income (loss)	(89)	(89)	177
Benefit payments	(4,086)	(4,086)	(4,220)
Administrative expense	(135)	(135)	(142)
Net change in plan fiduciary net position	231 [a]	231	554
Plan fiduciary net position, beginning	3,669 [a]	3,669	3,115
Plan fiduciary net position, ending	$ 3,900 [a]	$ 3,900	$ 3,669
Net OPEB liability, ending	$ 95,847	$ 98,688	$ 98,077
Plan fiduciary net position as a percentage of the total OPEB liability	3.91%	3.80%	3.61%
Covered payroll	$ 213,800	$ 214,000	$ 215,200
Net OPEB liability as a percentage of covered payroll	44.83%	46.12%	45.57%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2020.
Changes in assumptions	In FY2020, the health mortality assumptions were updated. In FY2019, the discount rate decreased from 2.98% to 2.79% and the mortality improvement scale was updated from MP-2017 on a fully generational basis to MP-2018 on a fully generational basis.

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

[a] Due to the change in change in accounting principle, the measurement dates are the same for FY20 and FY19, resulting in the same plan fiduciary net position and change in plan fiduciary net position for each of the two fiscal years.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (TRUST) - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation To the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll*	Contributions as a Percentage of Covered Payroll
2018	$ 7,963	$ 4,739	$ 3,224	$ 215,200	2.2%
2019	6,857	4,541	2,316	214,000	2.1%
2020	6,741	4,500	2,241	213,800	2.1%

* Payroll is based on total actual calendar year covered payroll, provided by the Plan.

Notes to Schedule:

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value

Actuarial assumptions:

Discount rate	2.79%
Salary increases	3.50%
Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis for Union employees and retirees. RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	The Trust Plan only provides for a fixed subsidy to retirees. Therefore, the total liability is not affected by changes in the health care trend rate.

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (NON-TRUST)- SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET OPEB LIABILITY AND RELATED RATIOS – LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

	2020	2019	2018
Total OPEB liability:			
Service cost	$ 1,818	$ 2,327	$ 2,136
Interest	1,606	1,681	1,655
Differences between expected and actual experience	(3,438)	(1,286)	739
Changes of assumptions	(5,919)	1,256	223
Benefit payments	(2,331)	(2,331)	(2,505)
Net changes in total OPEB liability	(8,264)	1,647	2,249
Total OPEB liability, beginning	56,894	54,247	51,998
Total OPEB liability, ending	$ 48,630	$ 56,894	$ 54,247
Plan fiduciary net position:			
Contributions – employer	3,831	3,831	3,505
Net investment income	124	124	-
Administrative expenses	(1)	(1)	-
Benefit payments	(2,331)	(2,331)	(2,505)
Net change in plan fiduciary net position	1,623 [a]	1,623	1,000
Plan fiduciary net position, beginning	1,000 [a]	1,000	-
Plan fiduciary net position, ending	$ 2,623 [a]	$ 2,623	$ 1,000
Net OPEB liability, ending	$ 46,007	$ 54,271	$ 53,247
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%	4.61%	1.81%
Covered payroll	$ 230,000	$ 228,600	$ 229,600
Net OPEB liability as a percentage of covered payroll	20.00%	23.74%	23.19%

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2020.
Changes in assumptions	In FY2020, the health mortality assumptions were updated. In FY2019, the discount rate decreased from 2.98% to 2.79% and the mortality improvement scale was updated from MP-2017 on a fully generational basis to MP-2018 on a fully generational basis.

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

[a] Due to the change in change in accounting principle, the measurement dates are the same for FY20 and FY19, resulting in the same plan fiduciary net position and change in plan fiduciary net position for each of the two fiscal years.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (NON-TRUST) - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year ended June 30, 2020
(In thousands)

Year Ended June 30	Actuarially Determined Contributions	Contributions In Relation To the Actuarially Determined Contribution	Contributions Deficiency (Excess)	Covered Payroll*	Contributions as a Percentage of Covered Payroll
2018	$ 3,781	$ 3,505	$ 276	$ 229,600	1.5%
2019	4,006	3,831	175	228,600	1.6%
2020	3,501	-	3,501	230,000	0.0%

* Payroll is based on total actual calendar year covered payroll, provided by the Plan.

Notes to Schedule:

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	2.79%
Salary increases	3.50%
Mortality	RP-2014 headcount weighted Blue Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis for Union employees and retirees. RP-2014 headcount weighted White Collar Mortality Table (backed off to 2006 using MP-2014) with application of the MP-2019 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	Pre-65: 7.0% for FY2020, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2024 and later Post-65: 5.5% for FY2020, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2022 and later

This is a 10-year schedule. The information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2020 and 2019
(In thousands)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 75,087	$ 71,333
Restricted cash and cash equivalents	18,228	19,239
Investments	20,007	39,549
Receivables:		
Federal and local grants:		
Capital	16,787	22,104
Planning, operating and other	32,509	9,020
Property tax	12,179	13,553
Local sales tax	12,914	11,861
Other trade receivables	15,502	15,563
Total receivables, net	89,891	72,101
Due from Pension Trust Fund	5,471	5,245
Inventory	14,158	12,486
Prepaid expenses	11,785	10,223
Total current assets	234,627	230,176
Noncurrent assets		
Restricted for cash and cash equivalents:		
Restricted for certificates of participation – debt service	1,137	1,169
Capital assets		
Nondepreciable	149,058	133,764
Depreciable, net	310,818	311,776
Total capital assets, net	459,876	445,540
Total noncurrent assets	461,013	446,709
Total assets	695,640	676,885
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	45,570	96,052
OPEB related	12,382	4,855
Deferred loss on refunding debt	583	-
Total deferred outflows of resources	58,535	100,907
Total assets and deferred outflows of resources	754,175	777,792

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2020 and 2019
(In thousands)

	2020	2019
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 14,806	$ 19,098
Accrued salaries and wages	7,846	3,590
Due to Pension Trust Fund	4,888	4,154
Unearned revenue	7,842	13,508
Other accrued liabilities	20,061	15,357
Accrued interest payable	145	333
Current portion of accrued vacation and sick leave	20,184	17,575
Current portion of claims liabilities	16,480	17,943
Current portion of remediation obligations	67	67
Current portion of certificates of participation	-	465
Total current liabilities	92,319	92,090
Noncurrent liabilities		
Accrued vacation and sick leave	9,962	9,020
Claims liabilities	53,448	53,655
Remediation obligations	952	952
Certificates of participation	11,655	10,704
Revolving line of credit	15,000	-
Net pension liability	270,087	339,538
Net OPEB liability	141,853	150,336
Total noncurrent liabilities	502,957	564,205
Total liabilities	595,276	656,295
DEFERRED INFLOWS OF RESOURCES		
Pension related	28,395	5,074
OPEB related	57,910	46,079
Total deferred inflows of resources	86,305	51,153
Total liabilities and deferred inflows of resources	681,581	707,448
NET POSITION		
Net investment in capital assets	448,221	434,371
Restricted for capital purchases	18,228	19,239
Restricted for debt service	992	836
Unrestricted	(394,847)	(384,102)
Total net position	$ 72,594	$ 70,344

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Operating revenues		
Passenger fares	$ 42,478	$ 54,794
Contract services	14,169	14,827
Operating revenues of JPA and consortium	2,012	2,552
Other	3,338	4,341
Total operating revenues	61,997	76,514
Operating expenses		
Operator wages	89,804	90,074
Other wages	74,538	68,913
Fringe benefits	188,598	175,138
Depreciation	44,260	43,075
Fuel and oil	11,897	14,499
Other material and supplies	14,404	11,212
Services	61,455	49,966
Insurance	8,027	11,064
Expenses of JPA and consortium	31,249	32,430
Other	13,732	9,275
Total operating expenses	537,964	505,648
Operating loss	(475,967)	(429,134)
Nonoperating revenues (expense)		
Operating assistance:		
Property taxes	149,103	140,194
Local sales tax	101,743	108,343
Local funds	90,656	92,517
State	31,283	20,843
Federal	41,172	13,659
Non-operating revenues of JPA and consortium	26,638	28,106
Gain (loss) on sale of capital assets	687	9
Interest income	933	1,292
Interest expense	(822)	(893)
Net nonoperating revenues	441,393	404,071
Loss before capital contributions	(34,574)	(25,063)
Capital contributions	35,306	71,863
Change in net position	732	46,800
Net position at beginning of year	70,344	23,544
Cumulative effect of change in accounting principle	1,518	
Net position at beginning of year, as restated	71,862	
Net position at end of year	$ 72,594	$ 70,344

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Cash flows from operating activities		
Cash received from customers	$ 51,042	$ 70,496
Cash payments to suppliers for goods and services	(145,256)	(129,044)
Cash payments to employees for services	(340,265)	(322,601)
Other operating receipts	5,350	6,893
Net cash used in operating activities	(429,129)	(374,257)
Cash flows from noncapital financing activities		
Operating assistance received	414,758	406,879
Net cash provided by noncapital financial activities	414,758	406,879
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(58,596)	(88,513)
Capital contributions received	40,623	68,220
Proceeds from sale of capital assets	687	9
Proceeds from revolving line of credit	15,000	-
Proceeds from refunding on certificates of participation	11,655	-
Principal paid on certificates of participation	(12,335)	(2,220)
Interest paid on certificates of participation	(427)	(935)
Net cash used in capital and related financial activities	(3,393)	(23,439)
Cash flows from investing activities		
Proceeds from investments	62,117	143,135
Purchase of investments	(42,575)	(145,153)
Investment income	933	1,292
Net cash provided by (used in) investing activities	20,475	(726)
Change in cash and cash equivalents	2,711	8,457
Cash and cash equivalents, beginning of year	91,741	83,284
Cash and cash equivalents, end of year	$ 94,452	$ 91,741
Summary of cash and cash equivalents reported on on the Statement of Net Position:		
Unrestricted cash and cash equivalents	$ 75,087	$ 71,333
Restricted cash and cash equivalents – capital purchases	18,228	19,239
Restricted cash and cash equivalents – certificates of participation	1,137	1,16
Total cash and cash equivalents reported on the Statement of Net Position	$ 94,452	$ 91,741

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (475,967)	$ (429,134)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	44,260	43,075
Effect of changes in assets and liabilities:		
Other trade receivables	61	(4,217)
Inventories	(1,672)	(1,277)
Due to/from Pension Trust Fund	508	3,620
Prepaid expenses	(1,562)	(2,653)
Accounts payable and accrued expenses	(4,292)	1,217
Accrued salaries and wages	4,256	(159)
Accrued vacation and sick leave	3,551	375
Unearned revenue	(5,666)	5,094
Other accrued liabilities	4,704	3,216
Claims liabilities	(1,670)	(1,101)
Net pension liability and deferred outflows/inflows from pension	4,352	14,706
Net OPEB liability and deferred outflows/inflows from pension	8	(7,019)
Net cash used in operating activities	$ (429,129)	$ (374,257)

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS - ENTERPRISE FUND - TRANSIT ONLY
COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
For the years ended June 30, 2020 and 2019
(In thousands)

	2020	2019
Revenues:		
Passenger fares	$ 44,490	$ 57,346
Bart transfers	5,532	6,186
Contract services	8,637	8,641
Advertising	1,349	1,717
Interest income	933	1,292
Other	1,976	2,576
Total operating revenues	62,917	77,758
Subsidies:		
Property taxes	119,487	110,467
Property taxes - Measure VV	29,615	29,727
Local sales tax - Measure B	31,002	33,368
Local sales tax - Measure BB	34,304	36,934
Local sales tax - Measure J	4,784	5,064
Local operating assistance	21,311	23,130
State - AB1107	44,486	46,777
State - AB2972 Home to School	-	500
State - TDA	76,626	76,795
State - STA	37,807	27,243
Federal operating assistance	41,172	13,659
Total subsidies	440,594	403,664
Total revenue & subsidies	503,511	481,422
Expenses:		
Operator wages	89,804	90,074
Other wages	74,538	68,913
Fringe benefits	124,824	105,033
Pension expense	63,774	70,105
Services	65,779	49,966
Fuel and lubricants	11,897	14,499
Office/printing supplies	715	640
Other materials and supplies	14,647	13,036
Utilities	3,863	3,504
Insurance	8,027	11,064
Expenses of JPA and consortium	31,249	32,430
Other expenses	3,883	3,299
Interest expense	822	893
Total operating expenses	493,822	463,456
Excess of revenues over expenses	9,689	17,966
Depreciation and amortization	(44,260)	(43,075)
Capital contributions	35,306	71,864
Change in net position	$ 735	$ 46,755

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS- ENTERPRISE FUND - TRANSIT ONLY
SCHEDULE OF REVENUES, SUBSIDIES AND EXPENSES, BUDGET VERSUS ACTUAL
For the year ended June 30, 2020
(In thousands)

	Actual	Final Budget	Variance Favorable (Unfavorable)
Revenues:			
Passenger fares	$ 44,490	$ 59,701	$ (15,211)
Bart transfers	5,532	4,595	937
Contract services	8,637	10,258	(1,621)
Advertising	1,349	1,147	202
Interest income	933	630	303
Other	1,976	2,925	(949)
Total operating revenues	62,917	79,256	(16,339)
Subsidies:			
Property taxes	119,487	116,035	3,452
Property taxes - Measure VV	29,615	29,574	41
Local sales tax - Measure B	31,002	32,039	(1,037)
Local sales tax - Measure BB	34,304	34,903	(599)
Local sales tax - Measure J	4,784	5,125	(341)
Local operating assistance	21,311	22,227	(916)
State - AB1107	44,486	45,501	(1,015)
State - AB2972 Home to School	-	500	(500)
State - TDA	76,626	75,860	766
State - STA	37,807	26,907	10,900
Federal operating assistance	41,172	6,097	35,075
Total subsidies	440,594	394,768	45,826
Total revenue & subsidies	503,511	474,024	29,487
Expenses:			
Operator wages	89,804	91,662	1,858
Other wages	74,538	71,113	(3,425)
Fringe benefits	124,824	119,342	(5,482)
Pension expense	63,774	58,450	(5,324)
Services	65,779	37,307	(28,472)
Fuel and lubricants	11,897	16,667	4,770
Office/printing supplies	715	911	196
Other materials and supplies	14,647	13,708	(939)
Utilities	3,863	6,996	3,133
Insurance	8,027	16,493	8,466
Expenses of JPA and consortium	31,249	34,845	3,596
Other expenses	3,883	2,878	(1,005)
Interest expense	822	652	(170)
Total operating expenses	493,822	471,024	(22,798)
Excess of revenues over expenses	9,689	$ 3,000	$ 6,689
Depreciation and amortization	(44,260)		
Capital contributions	35,306		
Change in net position	$ 735		

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
BUDGETARY BASIS - ENTERPRISE FUND - TRANSIT ONLY
SCHEDULE OF REVENUES AND EXPENSES BY SERVICE AREA
For the year ended June 30, 2020

	STSD #1	STSD #2	Total	STSD #2 as a % of Total
Revenues				
Passenger fares	$ 41,603,179	$ 2,887,185	$ 44,490,364	6.49%
BART transfers	5,172,699	358,976	5,531,675	6.49%
Contract services	8,636,910	-	8,636,910	0.00%
Advertising	1,210,517	138,742	1,349,259	10.28%
Interest income	809,629	123,250	932,879	13.21%
Other income	1,772,568	203,162	1,975,730	10.28%
Total revenue	59,205,502	3,711,315	62,916,817	5.90%
Subsidies				
Property taxes	95,768,073	23,719,149	119,487,222	19.85%
Property taxes - Measure VV	29,615,295	-	29,615,295	0.00%
Local sales tax - Measure B	28,672,818	2,329,124	31,001,942	7.51%
Local sales tax - Measure BB	30,776,427	3,527,410	34,303,837	10.28%
Local sales tax - Measure J	4,783,603	-	4,783,603	0.00%
Local operating assistance	16,650,324	4,660,846	21,311,170	21.87%
State - AB1107	39,294,085	5,191,463	44,485,548	11.67%
State - TDA	62,394,772	14,231,211	76,625,983	18.57%
State - STA	32,966,945	4,840,159	37,807,104	12.80%
Federal operating assistance	36,938,175	4,233,633	41,171,808	10.28%
Total subsidies	377,860,517	62,732,995	440,593,512	14.24%
Total revenue and subsidies	437,066,164	66,444,165	500,841,313	13.20%
Expenses				
Operator wages	80,967,474	8,836,734	89,804,208	9.84%
Other wages	66,873,454	7,664,635	74,538,089	10.28%
Fringe benefits	112,291,357	12,532,295	124,823,652	10.04%
Pension expenses	57,371,377	6,402,942	63,774,319	10.04%
Services	59,014,808	6,763,924	65,778,732	10.28%
Fuel & lubricants	10,673,489	1,223,332	11,896,821	10.28%
Office and printing supplies	641,067	73,475	714,542	10.28%
Bus parts and maintenance supplies	13,141,204	1,506,166	14,647,370	10.28%
Utilities	3,466,156	397,270	3,863,426	10.28%
Insurance	7,201,285	825,368	8,026,653	10.28%
Other expenses	3,483,423	399,249	3,882,672	10.28%
Purchased transportation	24,694,194	6,554,632	31,248,826	20.98%
Interest expense	733,877	88,353	822,230	10.75%
Depreciation	39,708,666	4,551,170	44,259,836	10.28%
Total expenses	480,261,831	57,819,545	538,081,376	10.75%
Income (loss) before capital contributions	(43,195,667)	8,624,620	(34,571,047)	(24.95)%
Capital contributions - federal and local	33,351,756	1,954,735	35,306,491	5.54%
Change in net position	$ (9,843,911)	$ 10,579,355	$ 735,444	

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

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

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

NOTE 2 - BUDGETARY BASIS DIFFERENCES

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

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

The effect of these differences between budgetary and GAAP accounting on the June 30, 2020 basic financial statements of the District's budgeted fund is as follows (in thousands):

Change in net position on GAAP basis	$ 732
Perspective differences	3
Change in net position on the budgetary basis	$ 735

NOTE 3 - SCHEDULE OF REVENUES AND EXPENSE BY SERVICE AREA

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