ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

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ALAMEDA-CONTRA COSTA TRANSIT DISTRICT

FINANCIAL STATEMENTS
June 30, 2019

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Crowe LLP
Independent Member Crowe Global

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, 2019, 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, 2019, 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.

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, Schedule of Employer's Contributions, and Schedule of Funding Progress, 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, 2019 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Introductory Section, Other Supplementary Information for the year ended June 30, 2019, and Statistical Section, 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, 2019 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statements. The Other Supplementary information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statements for the year ended June 30, 2019 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statements or to the 2019 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 2019 basic financial statements as a whole for the year ended June 30, 2019.

(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, 2018 (not presented herein), and have issued our report thereon dated December 19, 2018, 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, 2018, 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 2018 financial statements. The Comparative Schedules as of and for the year ended June 30, 2018, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the 2018 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, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated <>, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

[redacted]

San Francisco, California
<>, 2019

MANAGEMENT'S DISCUSSION AND 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 2019 with comparisons to the prior fiscal year.

Financial Highlights

- At June 30, 2019, total assets and deferred outflow of resources were $777.8 million, an increase of $110.0 million, or 16 percent, compared to June 30, 2018, when it was $667.8 million. Total current assets at June 30, 2019 were $230.2 million, an increase of $14.6 million, or 7 percent, primarily related to increases in cash and net receivables at year end due to timing. Capital assets, net of accumulated depreciation increased by $45.4 million or 11 percent, to $445.5 million due to the District's capital programs. Other Non-Current Assets stayed relatively stable at $1.2 million. Deferred outflows increased by $49.9 million, or 98 percent, to $100.9 million primarily due to the pension related net of investment gains/losses and the amortization of investment losses from prior periods.

- At June 30, 2019, total liabilities and deferred inflow of resources were $707.5 million, an increase of $63.2 million, or 10 percent, compared to June 30, 2018 when they were $644.3 million. Total current liabilities increased by $6.1 million, or 7 percent, over fiscal year 2018 when they were $86.0 million due to a net increase in related subcategories at year end, most notably increases in unearned revenue of $5.1 million and in other accrued liabilities of $3.2 million offset by decreases in other subcategories. Other non-current liabilities increased by $83.1 million, or 17 percent, from June 30, 2018 when they were $481.1 million. This was primarily due to the growth in the net pension liability. At June 30, 2019 net pension liability was $339.5 million, an increase of $84.6 million, or 33 percent, over fiscal year 2018 when it was $254.9 million. This change is attributable to investment and actuarial losses. The decrease in deferred inflows of $26.0 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 2019, operating revenues increased by $6.0 million, or 8 percent, to $76.5 million or 8 percent. There was an increase in passenger fare revenues of $2.5 million, attributable to fare increases, and in contract services of $3.2 million due to an increase pass subsidies. At June 30, 2018 operating revenues were $70.6 million. Farebox revenue of $2.6 million was attributable to the Joint Powers Agreement (JPA) joint ventures for Paratransit and Dumbarton.

- In Fiscal Year 2019, total expenses were $505.6 million, an increase of $29.6 million, or 6 percent, compared to $476.0 million at June 30, 2018. There were expense increases in all categories, except materials, with salary and wages, outside services, and insurance, showing the larger increases. Salary and wages increased by $8.9 million or 6%, due in part to collective bargaining agreement (CBA) driven wage increases, insurance increased by $3.6 million or 49 percent, mainly due to the absence of a favorable offsetting actuarial adjustment as was the case in 2018. The increase in the outside services number of $9.8 million is primarily attributable to the increase in "Pass Through" expenditures which during the period grew by $8.0 million. ("Pass Through" revenues and expenditures are generated from projects belonging to other agencies, which may directly or indirectly benefit the District's operations.) There were minor offsets in other categories. Fringe Benefits increased by $2.8 million or 2 percent, and while fringe had typical incremental increases in its component sub categories, it also had a major increase in pension of $19.2 million, due to actuarial results, and conversely actuarial results for in OPEB and workers compensation drove favorable offsets, leading to this net result in fringe benefits for the period

- For Fiscal Year 2019, non-operating revenues were $404.1 million, an increase of 33.5 million, or 9 percent, compared to Fiscal Year 2018 when it was $370.6 million. Increases occurred in all categories with the most notable increases occurring in Local sales taxes of $8.3 million, state of $7.2 million, and property tax of $5.5 million. While federal revenues did show a year over year increase of $8.1 million this was primarily due to "pass through" funds which are not available to fund District operations.

- At June 30, 2019, net position was $70.3 million, an increase of $46.8 million, or 199 percent, from June 30, 2018 when it was $23.5 million. This 2019 increase in net position was driven by the net result of total operating and non-operating revenues during the fiscal year of $480.6 million, combined with capital funds earned during the period of $71.9 million, totaling $552.5 million, over total expenses of $505.6 million.

Overview of the Financial Statements

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

Basic Financial Statements

The *Statement of 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, 2019

	2019	2018	Change	%
Assets				
Current Assets	$ 230,176	$ 215,578	$ 14,598	7%
Capital Assets, net	445,540	400,106	45,434	11%
Other Non-Current Assets	1,169	1,138	31	3%
Total Assets	**676,885**	**616,822**	**60,063**	**10%**
Deferred Outflows	100,907	50,994	49,913	98%
Total Assets and Deferred Outflow of Resources	**777,792**	**667,816**	**109,976**	**16%**
Liabilities				
Current Liabilities	$ 92,090	$ 86,010	$ 6,080	7%
Long Term Portion of COPS	10,704	11,169	(465)	-4%
Net Pension Liability	339,538	254,935	84,603	33%
Net OPEB Liability	150,336	151,324	(988)	-1%
Other Non-Current Liabilities	63,627	63,667	(40)	0%
Total Liabilities	**656,295**	**567,105**	**89,190**	**16%**
Deferred Inflows	51,153	77,168	(26,015)	-34%
Total Liabilities and Deferred Inflow of Resources	**707,448**	**644,273**	**63,175**	**10%**
Net Position				
Invested in Capital Assets, net of related debt	434,371	386,714	47,657	12%
Restricted for Capital Purchases	19,239	22,769	(3,530)	-16%
Restricted for Debt Service	836	763	73	10%
Unrestricted	(384,102)	(386,703)	2,601	-1%
Total Net Position	**70,344**	**23,543**	**46,801**	**199%**
Total Liabilities and Net Position	**$ 777,792**	**$ 667,816**	**$ 109,976**	**16%**

Assets:

At June 30, 2019, total assets and deferred outflow of resources were $777.8 million, an increase of $110.0 million, or 16 percent, compared to June 30, 2018, when it was $667.8 million. Current assets at June 30, 2019 were $230.2 million, an increase of $14.6 million, or 7 percent, primarily due to a net increase in cash and receivables at yearend. This net increase was comprised of a net increase in cash and investments of $10.4 million which was inclusive of a spend down of restricted capital funds on related programs of $3.5 million. Capital and operating receivables increased by a net of $4.3 million primarily due to timing. Additionally, there was a year over year decrease in the receivable due from the pension trust fund of $4.4 million again due to timing which was partially offset by an increase in inventory of $1.2 million, and prepaids of $2.7 million mainly due to prepaid insurance and deferred election expense. Non-Current assets increased by $45.5 million primarily due to capital asset additions related to District programs. Deferred outflows related to pension and OPEB increased by $49.9 million, or 98 percent, to $100.9 million over June 30, 2018 when it was $51.0 million. Pension was responsible for $47.5 million of this difference. The change in this number is the product of changes in actuarial assumptions, and the difference between actuarially projected and actual earnings of pension investments.

Liabilities:

At June 30, 2019, total liabilities and deferred inflows of resources were $707.4 million, an increase of $63.2 million, or 10 percent, compared to June 30, 2018 when they were $644.3 million. Current liabilities at June 30, 2019 were $92.1 million an increase of $6.1 million, or 7 percent, over June 30, 2018 when it was $86.0 million. Several factors contributed to this net result, including increases of $5.1 million in unearned revenue primarily from state sources in support of the District's Bus Rapid Transit (BRT) project, net increases in benefit carrier liabilities of $2.1 million due to timing and an increase in paid time off categories of $1.1 million related to wage increases and timing. The increases in current liabilities were offset by a decrease in short term claims liability of $1.0 million due net favorable actuarial results, a reduction in the short-term certificates of participation (COPS) liability of $1.8 million, due to normal scheduled payments.

Total other non-current liabilities were $564.2 million, an increase of $83.1 million or 17 percent, from June 30, 2018 when it was $481.1 million. This result was almost solely due to an increase in net pension liability of $84.6 million due to the net of assumption changes, along with actuarial gains and investment returns. The long-term portion of the COPS, liability is $10.7 million, a decrease of $0.5 million over the June 30, 2018 balance when the liability was $11.2 million, due to normal progression on the related amortization tables.

Deferred Inflows was $51.2 million at June 30, 2019, a decrease of $26.0 million or 34 percent, comprised of a decrease in Pension deferred inflows of $22.4 million and OPEB related of $3.6 million as the net of expected and actual actuarial experience related to the pension and OPEB plans.

Net Position:

At June 30, 2019, net position was $70.3 million, an increase of $46.8 million, or 199 percent, from June 30, 2018 when it was $23.5 million. During the current fiscal year revenues grew by $39.4 million, or 9 percent and expenses grew by 29.6 million or 6%. Total operating and non-operating revenues during the fiscal year ended June 30, 2019 were $480.6 million and capital revenues of $71.9 million totaling $552.4 million, over total expenses of $505.6 million.

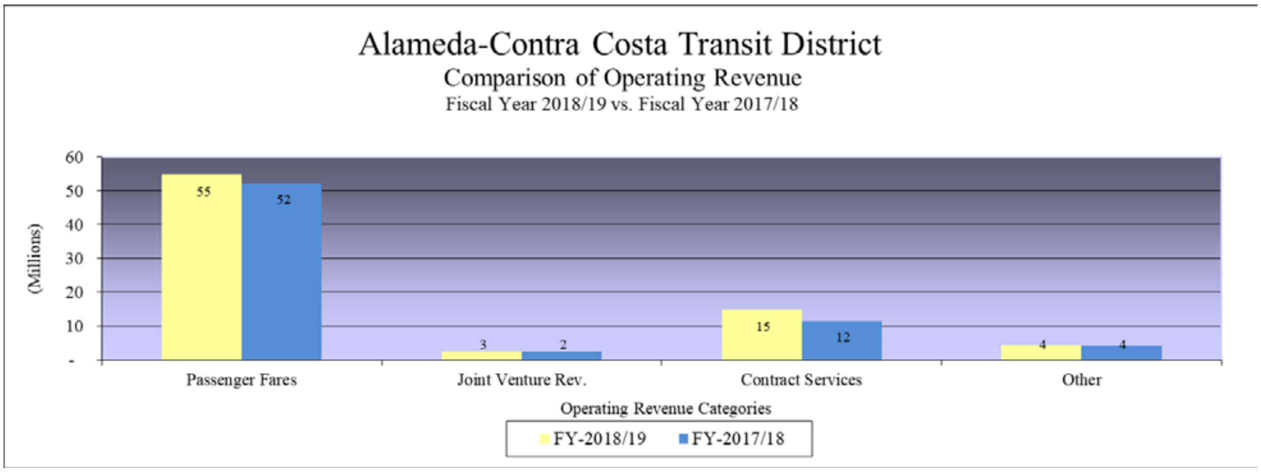
Alameda-Contra Costa Transit District
Statement of Revenues, Expenses and Changes in Net Position
(in thousands)
For the Years Ended June 30, 2019 and June 30, 2018

	2019	2018	Changes	%
Revenues				
Operating Revenues				
Passenger Fares	$ 54,794	$ 52,245	$ 2,549	5%
Operating Revenues of JPA and Consortium	2,552	2,477	75	3%
Contract Services	14,827	11,579	3,248	28%
Other	4,341	4,261	80	2%
Total Operating Revenues	**76,514**	**70,562**	**5,952**	**8%**
Non-Operating Revenues				
Property Taxes	140,194	134,694	5,500	4%
Local Sales Taxes (Note 7)	108,343	99,982	8,361	8%
Local Funds (Note 7)	92,517	91,555	962	1%
Federal	13,659	5,598	8,061	144%
State	20,843	13,681	7,162	52%
Non-Oper. Revenues of JPA and Consortium	28,106	25,878	2,228	9%
Gain (Loss) on sale of capital assets	10	(1)	11	-1100%
Interest Income	1,292	575	717	125%
Interest Expense	(893)	(1,346)	453	-34%
Total Non-Operating Revenues	**404,071**	**370,616**	**33,455**	**9%**
Total Revenues	**480,585**	**441,178**	**39,407**	**9%**
Expenses				
Operating Expenses				
Operator Wages	90,074	85,733	4,341	5%
Other Wages	68,913	64,353	4,560	7%
Fringe Benefits	175,138	172,335	2,803	2%
Depreciation	43,075	40,230	2,845	7%
Fuel & Oil	14,499	12,734	1,765	14%
Other Materials & Supplies	11,212	13,951	(2,739)	-20%
Services	49,966	40,858	9,108	22%
Insurance	11,064	7,425	3,639	49%
Expenses of JPA and Consortium	32,430	30,177	2,253	7%
Other	9,277	8,243	1,034	13%
Total Operating Expenses	**505,648**	**476,039**	**29,609**	**6%**
Loss before Capital Contributions	**(25,063)**	**(34,861)**	**9,798**	**-28%**
Capital Contributions	71,863	74,470	(2,607)	-4%
Change in Net Position	**46,800**	**39,609**	**7,191**	**18%**
Net Position, beginning of year	23,544	(16,065)	39,609	-247%
Net Position, end of year	**$ 70,344**	**$ 23,544**	**$ 46,800**	**199%**

Operating Revenue:

For Fiscal Year 2019, operating revenues increased by $6.0 million, or 8 percent, to $76.5 million, over June 30, 2018 when they were $70.6 million. Passenger fares increased by $2.5 million or 5 percent. There was a general fare increase at the beginning of the fiscal year, and an increase of the Transbay fare mid-year. The portion of passenger fares attributable to JPA joint venture are $2.6 million and showed a 3 percent increase over June 30, 2018.

Contract fares grew by $3.2 million and included youth pass subsidies of $1.8 million, and subsidies for running augmentation service of $1.5 million, additionally, there was growth of the District's "EZ pass" and "Eco Pass" programs.



Non-Operating Revenue:

For fiscal year 2019, non-operating revenues were $404.1 million, which is a net increase of $33.5 million, or 9 percent, compared to fiscal year 2018 when it was $370.6 million. This overall net increase included year over year increases in Property Taxes and local sources of $14.8 million, as well as net increases in both federal and state funds.

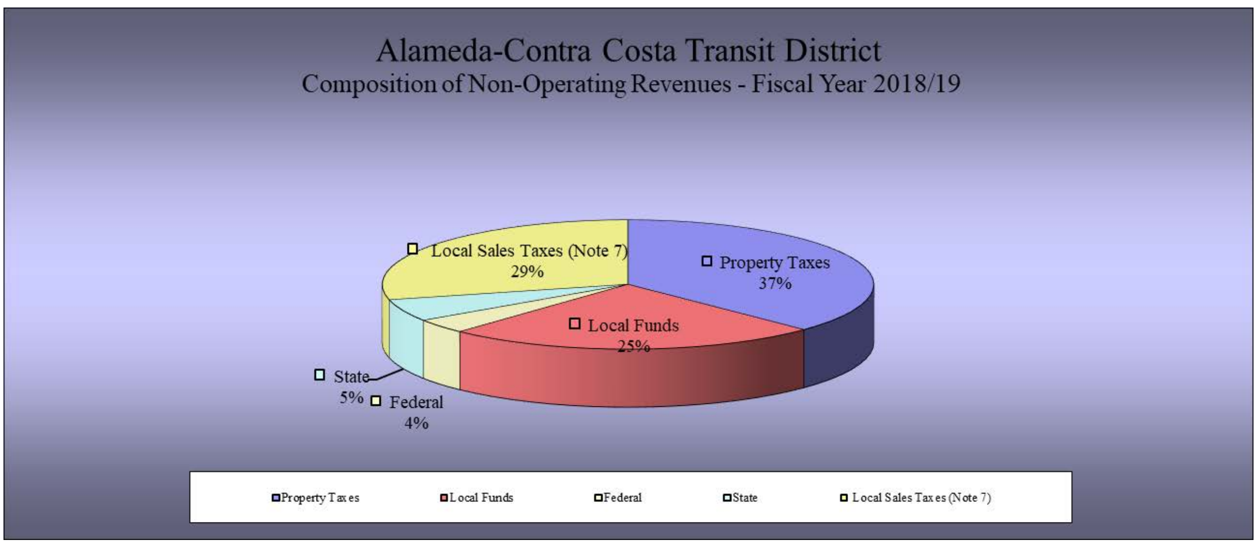
At fiscal yearend 2019 property taxes were $140.2 million an increase of $5.5 million or 4 percent, over fiscal year 2018. The property tax number contains both regular property tax of $110.5 million, and a fixed parcel tax which came in at $29.7 million, the latter is accessed in a portion of our service 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 8.7 percent per year. This year the growth was 5 percent, potentially indicating a change in the more recent trend. Local sales tax revenues went from $100.1 million at June 30, 2018, to $108.3 million as of June 30, 2019, an increase of $8.4 million, or 8 percent. These included increases in Measure B, Measure BB, Measure J and AB1107 funds, of $2.0 Million, $2.4 million, $0.2 million, and $3.8 million respectively.

Local funds, totaling $92.5 million at June 30, 2019 grew by $1.0 million, or 1 percent, over June 30, 2018 when it was $91.5 million. Local funds at June 30, 2019 were comprised of Transportation Development Act (TDA) of $72.4 million, and Regional Measure 2 (RM2) operating funds of $9.9 million, Local "Pass Through" which also came in at $9.9 million, and local operating assistance funds of $0.3 million. While the overall year over year change in Local funds appears small, there were items of note, namely a decrease in RM2 funds of $6.1 Million due to the cessation of the reimbursements to run the temporary Transbay Terminal and a decrease in Local operating assistance of $1.5 million. These decreases were offset by an increase in local "pass through" funds of $3.6 million and increase of TDA funds of $4.9 million, or 7 percent, over June 30, 2018 when they were $67.4 million.

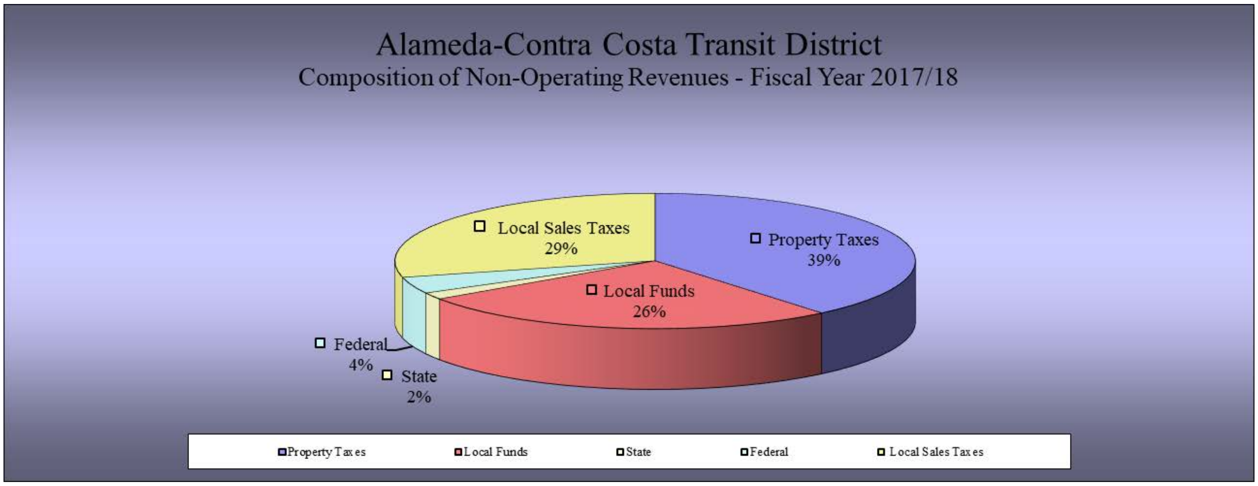
State revenues, which includes state transit assistance (STA), funds which are inclusive of the more recent voter approved ballot initiative "SB-1" funding based upon gasoline tax, state pass through funds, AB2972 "home to school" funds, increased by $7.2 million to $20.8 million, or 52 percent, over June 30, 2018, when it was $13.7 million. While state pass through funds decreased by $0.7 million due to less state participation in the period, and AB2972 funds were $0.5 million representing the residual funds left in this funding source. STA funds increased by $ $6.2 million or 44 percent.

Federal operating funds increased by $8.1million, to $13.7 Million, or 144 percent, over June 30, 2018 when they were $5.6 million. In fiscal year 2019 included, for the first time in several years, $5.7 million in preventive maintenance funding. Federal "pass through" funds increased by $4.6 million to $8.0 million.

Non-Operating revenues of joint venture includes discretely allocated revenues from the categories of Local, State and Federal sources. As of June 30, 2019, these combined sources contributed $28.1 million, or 9 percent, more than in June 30, 2018 when they were $25.9 million. They include Local Sales Taxes comprised of Measure B of $6.4 million, Measure BB of $7.1 million, and Measure J of $0.2 million, Local Sales Tax grew year over year by $1.1 million or 8 percent. Local funds comprised of Transportation Development Act of $ 4.4 million, Regional Measure 2 operating funds of $3.0 million for Dumbarton service, grew by $0.4 million or 6 percent over June 30, 2018 when they were $7.0 million. State contributions come from State Transit Assistance (STA) funds totaling $6.9 million for the fiscal year ended June 30, 2019, an increase of $5.8 million over June 30, 2018 when they were $1.1 million, due to the implementation of voter approved SB-1 funds. Federal funding, which was $5.0 million for June 30, 2018, was zero for the fiscal year ended June 30, 2019. Federal funds in the category typically consist of "ADA Set Aside" and "Paratransit Lease" funds, however, due to the timing of the funding cycle, none were available during the period.



When comparing the "Composition of Non-Operating Revenue" pie charts from FY-17/18 (below) to FY-18/19 (above) shift in composition between these fiscal years, as percent of total non-operating revenue in each respective fiscal year included a reductions of minus 2 percent in the category of Property tax and minus 1 percent in Local Funds, and increases of 3 percent in State funds due to the influx of state transit assistance which was significantly enhanced by voter approved "SB-1" funds. Local Sales Taxes stayed constant at 29 percent.



Operating Expenses:

In Fiscal Year 2019, total operating expenses were $505.6 million, an increase of $29.6 million or 6 percent compared to $476.0 million in Fiscal Year 2018.

Increases in operating expense categories include operator wages of $4.3 million, or 5 percent, due to contractual wage increases of 3.5 percent and includes an increase in bus operators overtime of 20 percent, or $3.2 million primarily due to staffing related considerations. Other salary and wages increased by $4.6 million, or 7 percent. Most of the employees in the Other Salary and Wages category did receive CBA scheduled increases. Notable increases included Salaried employees regular time, which increased by $2.3 million or 7 percent due to a year over year headcount increase of 6% and is inclusive of salaried employee overtime of $0.6 million or an increase of 84 percent traceable to the overtime incurred while bringing a new dispatch control/vehicle location system on-line. Maintenance overtime increased by 27 percent or $0.4 million due to the availability of qualified mechanics, finally expense for bus operator training increased by 11 percent during the period.

Fringe benefits at June 30, 2019 were $175.1 million, an increase of $2.8 million or 2 percent over June 30, 2018 when it was $172.3 million. There were increases in medical and dental expense of $1.8 million, or 4 percent. Due to a favorable actuarial result workers comp expense decreased by $5.4 million, to 10.0 million as of June 30, 2019 over the prior period. Paid time off and FICA increases largely followed the contractual wage increases, and while OPEB expense benefitted from a favorable actuarial result, Pension did not, and recorded an increase of $19.2 million, or 38 percent, over June 30, 2018 when it was $50.9 million.

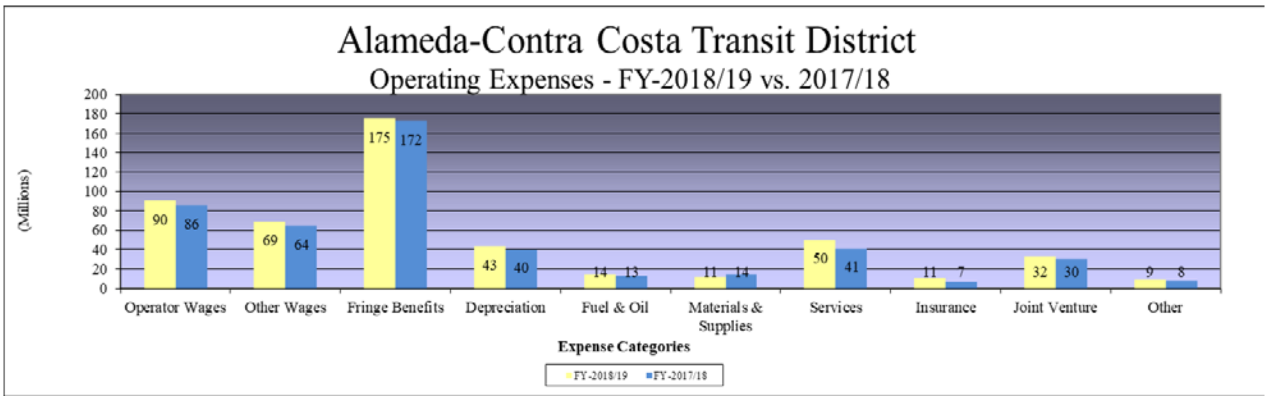
Depreciation increased by $2.8 million due to growth in the depreciable base. Fuel and Oil increased slightly by $1.8 million or 14 percent, which is similar to last fiscal year's year over year increase in that category. Materials and Supplies consumption showed an apparent decrease, mainly due to the lack of provision for the write down of obsolete inventory related to disposed fleets as was the case the period ended June 30, 2018.

Outside services increased by $9.1 million, or 22 percent, over fiscal year 2018 when it was $40.9 million. "Pass through" expenditures which are exclusively reported in this object class were $21.0 million in 2019, or $8.1 million more than fiscal 2018 when they were $12.9 million. Other notable year over year increases in this outside services category include security services $0.6 million, professional & technical services $0.5 million, maintenance contracts $0.4 million, Clipper expense $0.3 million , and "other services" of $0.4 million, totaling $2.2 million, partially offset by reductions in other outside services categories of $1.0 million.

In fiscal year 2019 insurance was $11.1 million, an increase of $3.6 million over 2018, or 49 percent, when it was $7.4 million. While the cost of policy coverage increased by $0.7 million during the period, a less than favorable actuarial result for public liability and property damage was mainly responsible for the year over year increase.

The "expenses of joint venture" category which includes the Paratransit and Dumbarton consortium expenses, showed an increase of $2.3 million, or 7 percent, over fiscal 2018 when it was $30.2 million. Paratransit Consortium expense increased by $1.8 million due to allowable expenses associated the first contract option year, for this purchased transportation contract. Dumbarton increased by $0.4 due to service enhancements.

In fiscal year 2019 the category of "other" expenses is $9.3 million, an increase of $1.0 million over fiscal year 2018 when it was $8.2 million. In this series, election expense increased by $0.6 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 will have the effect of better matching, and will start leveling out the election expense year over year. Leases and rentals also increased by $0.3 million due to the start of the leasing of the bus storage facility at the Transbay terminal. An increase in telecom expenses of $0.3 million, due to minor equipment purchased for the rollout of the new Dispatch Control system, was offset by a reduction in "Biogas" purchases due to that contract's expiration.



Capital Asset Program

The District received capital contributions of $71.9 million in Fiscal Year 2019 compared to $74.5 million in Fiscal Year 2018, a decrease of $2.6 million, or 4 percent. In fiscal year 2019 capital contributions came from the following sources, federal $42.9 million, State $4.8 million, and local $24.2 million. On-going capital investment is crucial to an asset intensive industry such as ours.

Capital assets were $445.4 million at June 30, 2019 and capital asset additions were $88.5 million during the year. Some of the capital acquisitions during the period included:

- Revenue Vehicle Replacement ($28.8 million)
- Bus Rapid Transit program ($35.1 million)
- CAD/AVL (Dispatch/Automated Vehicle Location) System ($4.3 million)
- Hydrogen Program ($1.2 million)
- Facilities, and building rehabilitation ($0.8 million)
- Transit Stations/Corridors ($1.4 million)

Additional information concerning the District's Capital Asset Program can be found in *Note #4 - Capital Assets* and in *Note #6 - Capital Assistance* in the *Notes to the Financial Statements*.

Long Term Debt

In February 2009, the District issued a $15.0 million COPS to help fund the July 2008 purchase of property located at 66th avenue in East Oakland. At June 30, 2019, the principal component of the annual lease payment was $11.0 million. The COPS are secured by specified capital assets and the District is currently scheduled to repay the obligation over twenty-five years, which will conclude by August 2034.

On February 1, 2012, the District issued Refunding Certificates of Participation Series 2012 to take advantage of lower interest rates. The proceeds from the issuance, $9.8 million, were used to refund the 2001 COPS. At June 30, 2018, the outstanding principal component of the annual lease payment was $3.5 million. The full obligation has been paid off as of June 30, 2019.

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

Currently Known Facts, Decisions, or Conditions

- The District acquired a revolving credit line for $35 million dollars, with a three year term, to cover Bus Rapid Transit project related cash flow and to cover anticipated costs in excess of grant funding. The first draw on this credit line for $7 million occurred in September 2019.
- The District plans to refund its remaining Certificate of Participation to take advantage of lower interest rates. Refunding is expected to conclude before December 1, 2019
- The District moved back into the new "Salesforce Transbay Terminal", located in San Francisco which had been closed due to structural defects, in August 2019.
- Fares increases went into effect as scheduled in July 2019
- The District's Retirement Board adopted a revised rate of return assumption of 7.0 percent (down from 7.125 percent) in September 2019, effective for the valuation dated January 1, 2019

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.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF NET POSITION
June 30, 2019
(In thousands)

ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	$	71,333
Restricted cash and cash equivalents:		
Restricted for capital purchases (Note 3)		19,239
Investments (Note 3)		39,549
Receivables:		
Federal and local grants:		
Capital		22,104
Planning, operating and other (Note 7)		9,020
Property tax		13,553
Local sales tax		11,861
Other trade receivables		15,563
Total receivables, net		72,101
Due from Pension Trust Fund (Note 5)		5,245
Inventory		12,486
Prepaid expenses		10,223
Total current assets		230,176
Noncurrent assets		
Restricted cash and cash equivalents:		
Restricted for certificates of participation - debt service (Note 3)		1,169
Capital assets (Note 4)		
Nondepreciable		133,764
Depreciable, net		311,776
Total capital assets, net		445,540
Total noncurrent assets		446,709
Total assets		676,885
DEFERRED OUTFLOWS OF RESOURCES		
Pension related (Note 9)		96,052
OPEB related (Note 10)		4,855
Total deferred outflows of resources		100,907
Total assets and deferred outflows of resources	$	777,792

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF NET POSITION
June 30, 2019
(In thousands)

LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	$ 19,098
Accrued salaries and wages	3,590
Current portion of accrued vacation and sick leave	17,575
Due to Pension Trust Fund (Note 5)	4,154
Unearned revenue	13,508
Other accrued liabilities	15,357
Accrued interest payable	333
Current portion of claims liabilities (Note 13)	17,943
Current portion of remediation obligations (Note 12)	67
Current portion of certificates of participation (Note 8)	465
Total current liabilities	92,090
Noncurrent liabilities	
Accrued vacation and sick leave	9,020
Claims liabilities (Note 13)	53,655
Remediation obligations (Note 12)	952
Certificates of participation (Note 8)	10,704
Net pension liability (Note 9)	339,538
Net OPEB liability (Note 10)	150,336
Total noncurrent liabilities	564,205
Total liabilities	656,295
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 9)	5,074
OPEB related (Note 10)	46,079
Total deferred inflows of resources	51,153
Total liabilities and deferred inflows of resources	707,448
NET POSITION	
Net investment in capital assets	434,371
Restricted for capital purchases (Note 11)	19,239
Restricted for debt service	836
Unrestricted	(384,102)
Total net position	$ 70,344

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, 2019
(In thousands)

Operating Revenues	
Passenger fares	$ 54,794
Contract services	14,827
Operating revenues of JPA and consortium (Note 14)	2,552
Other	4,341
Total operating revenues	76,514
Operating expenses	
Operator wages	90,074
Other wages	68,913
Fringe benefits	175,138
Depreciation (Note 4)	43,075
Fuel and oil	14,499
Other material and supplies	11,212
Services	49,966
Insurance	11,064
Expenses of JPA and consortium (Note 14)	32,430
Other	9,277
Total operating expenses	505,648
Operating loss	(429,134)
Non-operating revenues (expenses)	
Operating assistance:	
Property taxes	140,194
Local sales tax (Note 7)	108,343
Local funds (Note 7)	92,517
State (Note 7)	20,843
Federal (Note 7)	13,659
Non-operating revenues of JPA and consortium	28,106
Loss on sale of capital assets	10
Interest income	1,292
Interest expense	(893)
Net non-operating revenues (expenses)	404,071
Loss before capital contributions	(25,063)
Capital contributions (Note 6)	71,863
Change in net position	46,800
Net position at beginning of year	23,544
Net position at end of year	70,344

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, 2019
(In thousands)

Cash flows from operating activities	
Cash received from customers	$ 70,496
Cash payments to suppliers for goods and services	(129,044)
Cash payments to employees for services and benefit payments	(322,601)
Other operating receipts	6,893
Net cash used in operating activities	(374,257)
Cash flows from noncapital financing activities	
Operating assistance received	406,879
Net cash provided by noncapital financial activities	406,879
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(88,513)
Capital contributions received	68,220
Proceeds from sale of capital assets	9
Principal paid on certificates of participation	(2,220)
Interest paid on certificates of participation	(935)
Net cash used in capital and related financial activities	(23,439)
Cash flows from investing activities	
Proceeds from investments	143,135
Purchase of investments	(145,153)
Investment income	1,292
Net cash used in investing activities	(726)
Change in cash and cash equivalents	8,457
Cash and cash equivalents, beginning of year	83,284
Cash and cash equivalents, end of year	$ 91,741
Summary of cash and cash equivalents reported on on the Statement of Net Position:	
Unrestricted cash and cash equivalents	$ 71,333
Restricted cash and cash equivalents - capital purchases	19,239
Restricted cash and cash equivalents - certificates of participation – debt service	1,169
Total cash and cash equivalents reported on the Statement of Net Position	$ 91,741

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - STATEMENT OF CASH FLOWS
Year ended June 30, 2019
(In thousands)

Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(429,134)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		43,075
Effect of changes in assets and liabilities:		
Other trade receivables		(4,217)
Inventory		(1,277)
Due to/from Pension Trust Fund		3,620
Prepaid expenses		(2,653)
Accounts payable and accrued expenses		1,217
Accrued salaries and wages		(159)
Accrued vacation and sick leave		375
Unearned revenue		5.094
Other accrued liabilities		3,216
Claims liabilities		(1,101)
Net pension liability and deferred outflows/inflows from pension		14,706
Net pension OPEB and deferred outflows/inflows from OPEB		(7,019)
Net cash used in operating activities	$	(374,257)

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

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

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND - STATEMENT OF FIDUCIARY NET POSITION
December 31, 2018
(In thousands)

ASSETS	
Contributions receivable from the District (Note 5)	$ 4,432
Interest receivable and other investment receivables	68
Investments at fair value (Note 3):	
Short-term investments	9,675
Equity securities	73,056
Equity funds	243,868
Fixed income funds	277,936
Real estate funds	37,830
Total investments	642,365
Total assets	646,865
LIABILITIES	
Accounts payable and accrued expenses	602
Due to the District (Note 5)	4,728
Total liabilities	5,330
Net position restricted for pensions	$ 641,535

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

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
PENSION TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year ended December 31, 2018
(In thousands)

Additions:	
Employer contributions	$ 54,723
Employee contributions	19
Investment loss:	
Dividends and interest income	6,754
Net depreciation in fair value of investments	(39,388)
Investment expenses	(1,710)
Net investment loss	(34,344)
Total additions	20,398
Deductions:	
Benefit payments	56,697
Administrative expenses	1,050
Total deductions	57,747
Net decrease in net position	(37,349)
Net position restricted for pensions, at beginning of year	678,884
Net position restricted for pensions, at end of year	$ 641,535

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.

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 2009A Certificates of Participation, the District was required to establish and maintain a reserve fund in the amount of $1.138 million. Pursuant to a trust agreement by and 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, 2019 is $1.169 million.

The reserves are reported as non-current assets.

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.

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.

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

On November 30, 2004, the voters approved Measure BB, which superseded the Measure AA parcel tax. Measure BB increased the amount of annual parcel tax to $48 per year and the term of the tax to 10 years from the date of implementation. The tax became effective on July 1, 2005 and was to terminate on June 30, 2015. However, on November 4, 2008, the voters approved Measure VV, which supersedes the Measure BB parcel tax. Measure VV became effective July 1, 2009 and increased the annual parcel tax to $96 per parcel. Measure VV is effective through June 30, 2019. On November 8, 2016, the voters approved Measure C1, which supersedes 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 $29.7 million in Measure VV taxes during the year ended June 30, 2019.

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

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

(Continued)

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, 2019, the District has restricted net position in the amount of $0.836 million related to the 2009 Certificates of Participation (COPS) and $19.2 million for the future acquisition of buses (See Note 11) and other capital expenditures. The net position restricted for debt service is maintained in a reserve fund to service lease payments on the outstanding 2009 COPS.

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

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

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.

Recent Accounting Pronouncements Adopted:

GASB Statement No. 83, *Certain Asset Retirement Obligations,* issued November 2016. The provisions of this Statement are effective for periods beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The adoption of this Statement has no effect on the District's net position or changes therein.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018. The provisions of this Statement are effective for periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of this Statement has no effect on the District's net position or changes therein.

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.

Presentation: At June 30, 2019 (December 31, 2018 for the Plan), the District's cash and investments consisted of the following (in thousands):

Cash and cash equivalents	$ 91,741
Investments	681,914
Total	$ 773,655
Reported in the Enterprise Fund as:	
Cash and cash equivalents	$ 71,333
Restricted – current cash and cash equivalents	19,239
Restricted – noncurrent cash and cash equivalents	1,169
Investments	39,549
	131,290
Reported in the Pension Trust Fund as:	
Investments restricted for payment of accrued pension costs (at December 31, 2018)	642,365
Total	$ 773,655

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2019:

- U.S. Treasury bills and notes of $39.5 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	$ -	$ 9,675	$ 9,675
Mutual funds – fixed income	44,924	-	44,924
Pooled investments – fixed income	-	211,024	211,024
U.S. equity securities and funds	73,056	115,658	188,714
International equity securities – equity funds	58,653	69,557	128,210
	$ 176,633	$ 405,914	$ 582,547

Plan Investments Measured at Net Asset Value (NAV):

	Balance	Unfunded Commitments	Redemption
Fixed income	$ 21,988	$ 21,473	Not eligible for redemption
Real estate	37,830	$ 5,982	Quarterly redemption with 45-60 day notice
	$ 59,818		

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.

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

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.

<u>Enterprise Fund – Specific Risks</u>:

Interest Rate Risk - The District has limited exposure to interest rate risk due to its liquidity needs to meet cash flow demand requirements. All of its investments have a remaining maturity at date of purchase of 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, 2019. 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 $39.5 million of U.S. Treasury notes and bills as of June 30, 2019, 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, 2019.

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.

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, 2019, there was no exposure to foreign currency risk as all of the District's cash equivalents and investments are denominated in U.S. dollar currency.

(Continued)

NOTE 3 – CASH AND INVESTMENTS (Continued)

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, 2018, 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	$ 126.7	5.9
Loomis, Sayles Credit Asset Fund	42.3	5.5
PIMCO Diversified Income Fund	44.9	4.9
Investec Emerging Market Debt Fund	42.0	4.9
Park Square	11.9	0.4
Monroe	3.8	0.2
Crescent	6.3	2.0
Total fixed income funds	$ 277.9	

Credit Risk - For the Plan, fixed income assets are invested in two pooled investment vehicles and with an outside money manager. As of December 31, 2018, $9.6 million was invested in a short term pooled investment fund managed by State Street Corporation. This fund is not rated.

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, 2018, 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, 2018, investments in international equity funds (including emerging markets) totaled $128.2 million. The Plan had $144.9 million as of December 31, 2018 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, 2019 (in thousands):

	June 30, 2018	Additions	Retirements	Transfers	June 30, 2019
Non-depreciable capital assets:					
Land	$ 28,686	$ -	$ -	$ -	$ 28,686
Work in progress	68,092	88,536	-	(51,550)	105,078
Total	96,778	88,535	-	(51,550)	133,764
Depreciable capital assets:					
Revenue equipment	398,882	-	(2,861)	34,448	430,469
Service vehicles and other equipment	123,943	-	(621)	2,171	125,493
Buildings, structure and Improvements	307,380	-	(26)	14,931	322,285
Total	830,205	-	(3,508)	51,550	878,247
Less accumulated depreciation:					
Revenue equipment	(227,620)	(27,292)	2,861	-	(252,051)
Service vehicles and other equipment	(114,128)	(3,686)	620	-	(117,194)
Buildings, structure and improvements	(185,129)	(12,097)	-	-	(197,226)
Total	(526,877)	(43,075)	3,484	-	(566,471)
Depreciable capital assets net of accumulated depreciation	303,328	(43,075)	(27)	51,550	311,776
Capital assets, net of accumulated depreciation	$ 400,106	$ 45,461	$ (27)	$ -	$ 445,540

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES

The Enterprise Fund in the accompanying basic financial statements is reported as of June 30, 2019 and the Pension Trust Fund is reported as of December 31, 2018; 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, 2019 and December 31, 2018, the Pension Trust Fund had a payable to the Enterprise Fund of $5.2 million and $4.7 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, 2019 and December 31, 2018, the Pension Trust Fund had a receivable from the Enterprise Fund of $4.2 million and $4.4 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, 2019 as follows (in thousands):

Federal grants	$ 42,928
State and local grants	28,935
	$ 71,863

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, 2019 (in thousands):

Local operating assistance:	
Operating revenues	$ 10,224
Transportation Development Act	76,795
Regional Measure 2	12,906
Less amount reported within non-operating revenues of JPA and consortium	(7,408)
	$ 92,517
State operating assistance:	
State Transit Assistance	$ 27,132
Supplementary service/Welfare-to-Work	500
Pass thru	110
Less amount reported within non-operating revenues of JPA and consortium	(6,899)
	$ 20,843

(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, 2019, is summarized below (in thousands):

AB 1107	$ 46,776
Measure B	33,367
Measure J	5,064
Measure BB	36,935
Less amount reported within non-operating revenues of JPA and consortium	(13,799)
	$ 108,343

Section 5307 and 5309 Funding Sources: All federal funding sources are distributed by FTA after approval by the MTC. Federal funding sources for the year ended June 30, 2019 are summarized below (in thousands):

5307 and 5309 Operating grants	$ 13,659
	$ 13,659

At June 30, 2019, Federal Section 5307 and 5309 funds totaling $1.1 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, 2019 (in thousands):

	Original Issue Amount	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Amount Due Within One Year
Direct Placements						
2009A COP 3% - 6.125%, due August 1, 2034	15,000	11,910	-	(445)	11,465	465
Less unamortized discount		(296)	-	-	(296)	-
2012 Refunding COP 4% - 4.75%, due August 1, 2018	9,840	1,775	-	(1,775)	-	-
Total long-term debt		13,389	-	(2,220)	11,169	465
Other Long-term liabilities						
Accrued vacation and sick leave		26,220	15,207	(14,832)	26,595	17,575
Claims liabilities (Note 13)		72,699	14,205	(15,306)	71,598	17,943
Remediation obligations (Note 12)		1,019	-	-	1,019	67
Total long-term liabilities		$ 113,327	$ 29,412	$ (32,358)	$ 110,381	$ 36,050

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 is payable semiannually on February 1 and August 1 of each year through the year 2034.

The lease payments are irrevocably pledged for the benefit of the owners of 2009A COPS and will be used for the punctual payment of the interest and principal and will not be used for any other purpose while any of 2009A COPS remain outstanding. In the event of default described under the provisions of the 2009A Agreement, the owners, upon providing notice in writing have the right to exercise remedies outlined in the agreement. There is no right under any circumstances to accelerate the payments or otherwise declare any Lease Payments not then in default to be immediately due and payable.

On February 1, 2012, the District issued Refunding Certificates of Participation Series 2012 (2012 COPS). The proceeds from the issuance of the $9.84 million were used to refund and retire the 2001 COPS. Interest on the 2012 COPS is payable semi-annually on February 1 and August 1 of each year through the year 2018. The final principal payments were made in fiscal year 2019.

(Continued)

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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
2020	$ 465	$ 660	$ 1,125
2021	485	637	1,122
2022	510	611	1,121
2023	535	584	1,119
2024	565	555	1,120
Thereafter			
2025-2029	3,340	2,237	5,577
2030-2034	4,495	1,049	5,544
2035-2036	1,070	33	1,103
Total	11,465	$ 6,366	$ 17,831
Unamortized premium and discount	(296)		
Total	$ 11,169		

Debt Limit: Board policy on debt limitation (as defined by Ordinance No. 3773) states that "total annual debt service expenses shall not exceed ten percent of operating revenue (including subsidies) provided that in no event shall such indebtedness exceed twenty percent of the assessed value of all real and personal property within the District." The District's legal annual debt service limit as June 30, 2019, is approximately $45.2 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.

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.

(Continued)

NOTE 9 – PENSION PLAN (Continued)

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, 2018, employee membership in the Plan was as follows:

Retirees and beneficiaries currently receiving benefits	2,118
Terminated employees entitled to benefits but not yet receiving them	181
	2,299
Current employees:	
Vested	1,108
Non-vested	1,105
	2,213

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, 2019, the District's average contribution rate was 31.82% of annual covered payroll and the District's contributions to the Plan were $56.3 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, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (10 years remaining as of 1/1/2018) with separate periods of Extraordinary Actuarial Gains or Losses (21 years as of 1/1/2018) 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 during the prior four years, phased in at 20% per year, but required to be within 20% of market value.

NOTE 9 – PENSION PLAN (Continued)

Actuarial assumptions:

Investment rate of return	7.125%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on employee classification and years of service
Health Mortality	Sex distinct RP-2000 Combined Mortality (130% of Blue Collar rates for ATU/IBEW, 120% of White Collar rates for AFSCME/Non-Union), with generational improvement using MP-2015

Measurements as of the reporting date are based on the fair value of assets as of December 31, 2018, and the total pension liability as of the valuation date, January 1, 2018, rolled forward to December 31, 2018. There were no significant events between the valuation date and the measurement date.

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 actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2011 - December 31, 2014.

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, 2018 (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%	5.9%
Domestic Small Cap Equity	6%	6.7%
International Equity	14%	6.8%
International Small Cap Equity	3%	7.3%
Emerging Market Equity	6%	9.7%
Fixed Income (Core)	19%	1.8%
Fixed Income (Credit)	13%	3.8%
Emerging Market Debt	6%	4.5%
Real Estate	5%	5.0%
Private Debt	5%	6.0%
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 7.25% to 7.125%. Additionally there were minor changes in the mortality tables.

(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 7.125%. 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 21 years remaining as of January 1, 2018. The remainder of the UAL is being amortized over a closed period, with 10 years remaining as of January 1, 2018. 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, 2018 are as follows (in thousands):

Total pension liability	$ 981,073
Less Plan fiduciary net position	(641,535)
District's net pension liability	$ 339,538
Funded ratio (Plan's fiduciary net position / total pension liability)	65.4%

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 December 31, 2018	$ 933,819	$ 678,884	$ 254,935
Changes for the year:			
Service cost	22,789	-	22,789
Interest	66,063	-	66,063
Difference between expected and actual experience	5,058	-	5,058
Change of assumptions	10,041	-	10,041
Contributions – employer	-	54,723	(54,723)
Contributions – member	-	19	(19)
Net investment income	-	(34,344)	34,344
Benefit payments	(56,697)	(56,697)	-
Administrative expense	-	(1,050)	1,050
Net changes	47,254	(37,349)	84,603
Balance at December 31, 2019	$ 981,073	$ 641,535	$ 339,538

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, 2019, calculating using the discount rate of 7.125%, 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 (6.125%) or one-percentage-point higher (8.125%) than the current rate.

	(6.125%) 1% Decrease	(7.125%) Current Discount	(8.125%) 1% Increase
Net pension liability	$ 443,201	$ 339,538	$ 251,085

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, 2019, the District recognized pension expense of $70.3 million. At June 30, 2019, 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	$ 28,112	$ -
Differences between expected and actual experience	4,267	5,074
Changes in assumptions	18,549	-
Net difference between projected and actual earnings on pension plan investments	45,124	-
Total	$ 96,052	$ 5,074

Deferred outflows of resources related to contributions subsequent to the measurement date of $28.1 million will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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, 2020	$ 25,535
June 30, 2021	7,071
June 30, 2022	10,719
June 30, 2023	19,541
	$ 62,866

Payable to the Pension Plan: As disclosed in Note 5, the District reported a payable of $4.2 million for the outstanding amount of contributions to the Plan for the year ended June 30, 2019.

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

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: $601	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 July 1, 2018, employee membership in the Trust was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,030
Active plan members	2,140
	3,170

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 2019, 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 falls below $2 million in assets.)
AFSCME	$1.10 per hour per employee
IBEW	$1.04 per hour per employee

For the year ended June 30, 2019, the District’s contributions to the Trust were $4.5 million. As of June 30, 2019, 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	July 1, 2018
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%
Health care trend rate	Pre-65: 7.5% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2024 and later Post-65: 5.75% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 and later
Administrative expenses	3.00% of benefits
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-2018 improvement scale on a fully generational basis.

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, July 1, 2018, rolled forward to June 30, 2019. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the July 1, 2018 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 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.

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	$ 102,588
Less Trust fiduciary net position	(3,900)
District's net OPEB liability	$ 98,688
Funded ratio (Trust's fiduciary net position / total OPEB liability)	3.8%

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 June 30, 2018	$ 101,746	$ 3,669	$ 98,077
Changes for the year:			
Service cost	3,821	-	3,821
Interest	3,206	-	3,206
Difference between expected and actual experience	(3,880)	-	(3,880)
Changes of assumptions	1,781	-	1,781
Contributions – employer	-	4,541	(4,541)
Net investment loss		(89)	89
Benefit payments	(4,086)	(4,086)	-
Administrative expense		(135)	135
Net changes	842	231	611
Balance at June 30, 2019	$ 102,588	$ 3,900	$ 98,688

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, 2019, 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	$ 111,354	$ 98,688	$ 88,106

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, 2019, the District recognized OPEB gain of $1.2 million. At June 30, 2019, 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	$ -	$ 41,885
Changes in assumptions	2,239	3,003
Net difference between projected and actual earnings on OPEB plan investments	149	-
Total	$ 2,388	$ 44,888

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, 2020	$ (8,317)
June 30, 2021	(8,317)
June 30, 2022	(7,229)
June 30, 2023	(6,144)
June 30, 2024	(6,177)
June 30, 2025	(5,567)
June 30, 2026	(249)
	$ (42,000)

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.

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.

(Continued)

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

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. 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.

Participants Covered by Benefit Terms: As of July 1, 2018, employee membership in the OPEB Plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	1,582
Active plan members	2,212
	3,794

(Continued)

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

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, 2019, the District's contributions to the OPEB Plan were $3.8 million ($2.3 million in benefit payments and $1.5 million to the CERBT). As of June 30, 2019, 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	July 1, 2018
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: 7.5% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2025 and later Post-65: 5.75% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 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-2018 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-2018 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, July 1, 2018, rolled forward to June 30, 2019. There were no significant events between the valuation date and the measurement date.

The actuarial assumptions used in the July 1, 2018 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 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%

(Continued)

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

Changes in Assumptions and Benefit Terms Since Prior Measurement Date – The discount rate decreased from 2.98% to 2.79%, the mortality improvement scale was updated from MP-2017 on a fully generational basis to MP-2018 on a fully generational basis, and the actuarial cost method was changed to Entry Age Normal, which is required by GASB Statement No. 75.

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, 2019 are as follows (in thousands):

Total OPEB liability	$ 56,894
Less OPEB Plan fiduciary net position	(2,623)
District's net OPEB liability	$ 54,271
Funded ratio (OPEB Plan's fiduciary net position / total OPEB liability)	4.61%

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 June 30, 2018	$ 55,247	$ 1,000	$ 54,247
Changes for the year:			
Service cost	2,327	-	2,327
Interest	1,681	-	1,681
Difference between expected and actual experience	(1,286)	-	(1,286)
Changes of assumptions	1,256	-	1,256
Contributions – employer		3,831	(3,831)
Net investment income		124	(124)
Administrative expenses		(1)	1
Benefit payments	(2,331)	(2,331)	-
Net changes	1,647	1,623	24
Balance at June 30, 2019	$ 56,894	$ 2,623	$ 54,271

(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, 2019, 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	$ 63,807	$ 54,271	$ 46,416

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, 2019, calculating using the health care trend rate of 7.50% (pre-65) and 5.75% (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 (6.50% and 4.75%) or one-percentage-point higher (8.50% and 6.75%) than the current rate.

	(6.50% pre-65) (4.75% pre-65) 1% Decrease	(7.50% pre-65) (5.75% pre-65) Current Discount	(8.50% pre-65) (6.75% pre-65) 1% Increase
Net OPEB liability	$ 47,781	$ 54,271	$ 62,083

OPEB plan fiduciary net position: For the year ended June 30, 2019, the District recognized OPEB expense of $4.1 million. At June 30, 2019, 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	$ 1,100
Changes in assumptions	1,942	-
Difference between projected and actual investment earnings	-	91
Total	$ 2,467	$ 1,191

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, 2020	$ 257
June 30, 2021	257
June 30, 2022	257
June 30, 2023	257
June 30, 2024	251
June 30, 2025	(3)
	$ 1,276

(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 2019, the District did not receive any additional funding, and $8.7 million of cost was incurred for the purchase of buses and Transit Access Improvement projects.

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, 2019 (in thousands):

Total Allocations as of June 30, 2019	Less Allocations Passed-through to TJPA as of June 30, 2019	Total Allocations Received in FY 2019	Cumulative Expenses Incurred through June 30, 2019	Interest Income	Commitment at June 30, 2019
$ 112,515	$ 24,444	$ -	$ 79,791	$ 475	$ 8,756

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, 2019.

(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
2020	$ 1,000
2021	1,500
2022	2,000
2023	2,000
2024	2,000
2025 – 2029	13,352

NOTE 13 – RISK MANAGEMENT

As of June 30, 2019 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, 2017	$ 54,926	$ 17,716	$ 156	$ 72,798
Claims and changes in estimates	15,442	788	5,618	21,848
Claim payments	(10,951)	(5,477)	(5,519)	(21,947)
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

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, 2019 are summarized as follows (in thousands):

	Current	Long-term	Total
Workers' compensation liability	$ 14,041	$ 42,661	$ 56,702
Public liability	3,057	10,994	14,051
Dental liability	845	-	845
	$ 17,943	$ 53,655	$ 71,598

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.

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 in order to support this consortium service.

In fiscal year 2019, the District recognized $30.6 million of revenue and subsidy and incurred $32.4 million of expenses related to the JPA and the Consortium. Neither the JPA nor the Consortium issue separate financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

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, 2019
(In thousands)

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

Notes to Schedule:

Benefit changes: There were no changes in benefits in FY2019, FY2018, or FY2017.

Changes in assumptions: 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, 2019
(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%

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

Notes to Schedule:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll (10 years remaining as of 1/1/2018) with separate periods of Extraordinary Actuarial Gains or Losses (21 years as of 1/1/2018) 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 during the prior four years, phased in at 20% per year, but required to be within 20% of market value.

Actuarial assumptions:

Discount rate	7.125%
Amortization growth rate	3.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality (130% of Blue Collar rates for ATU/IBEW, 120% of White Collar rates for AFSCME/Non-Union), with generational improvement using MP-2015

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, 2019
(In thousands)

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

Notes to Schedule:

Benefit changes: There were no changes in benefits in FY2019.

Changes in assumptions: 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.
In FY2018 The discount rate decreased from 3.13% to 2.98% and the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 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.

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
OPEB PLAN (TRUST) - SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year ended June 30, 2019
(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%

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

Notes to Schedule:

Valuation date	July 1, 2018
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-2018 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-2018 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	Pre-65: 7.5% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2024 and later Post-65: 5.75% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 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.

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, 2019
(In thousands)

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

Notes to Schedule:

Benefit changes	There were no changes in benefits in FY2019.
Changes in assumptions	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 In FY2018 The discount rate decreased from 3.13% to 2.98% and the mortality improvement scale was updated from MP-2016 on a fully generational basis to MP-2017 on a fully generational basis, and the actuarial cost method was changed to Entry Age Normal, which is required by GASB Statement No. 75.

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 EMPLOYER'S CONTRIBUTIONS
LAST 10 FISCAL YEARS
Year ended June 30, 2019
(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%

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

Notes to Schedule:

Valuation date	July 1, 2018
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-2018 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-2018 improvement scale on a fully generational basis used for non-represented employees and retirees.
Health care trend rate	Pre-65: 7.5% for FY2019, decreasing 0.5% per year to an ultimate rate of 5.0% for FY2024 and later Post-65: 5.75% for FY2019, decreasing 0.25% per year to an ultimate rate of 5.0% for FY2023 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

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2019 and 2018
(In thousands)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 71,333	$ 59,375
Restricted cash and cash equivalents	19,239	22,769
Investments	39,549	37,531
Receivables:		
Federal and local grants		
Capital	22,104	18,461
Planning, operating and other	9,020	12,987
Property tax	13,553	13,030
Local sales tax	11,861	11,635
Other trade receivables	15,563	11,344
Total receivables, net	72,101	67,457
Due from Pension Trust Fund	5,245	9,670
Inventory	12,486	11,209
Prepaid expenses	10,223	7,567
Total current assets	230,176	215,578
Noncurrent assets		
Restricted for cash and cash equivalents:		
Restricted for certificates of participation – debt service	1,169	1,138
Capital assets		
Nondepreciable	133,764	96,778
Depreciable, net	311,776	303,328
Total capital assets, net	445,540	400,106
Total noncurrent assets	446,709	401,244
Total assets	676,885	616,822
DEFERRED OUTFLOWS OF RESOURCES		
Pension related	96,052	48,534
OPEB related	4,855	2,460
Total deferred outflows of resources	100,907	50,994
Total assets and deferred outflows of resources	777,792	667,816

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF NET POSITION
June 30, 2019 and 2018
(In thousands)

	2019	2018
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	$ 19,098	$ 17,881
Accrued salaries and wages	3,590	3,749
Due to Pension Trust Fund	4,154	4,959
Unearned revenue	13,508	8,414
Other accrued liabilities	15,357	12,141
Accrued interest payable	333	375
Current portion of accrued vacation and sick leave	17,575	17,257
Current portion of claims liabilities	17,943	18,947
Current portion of remediation obligations	67	67
Current portion of certificates of participation	465	2,220
Total current liabilities	92,090	86,010
Noncurrent liabilities		
Accrued vacation and sick leave	9,020	8,963
Claims liabilities	53,655	53,752
Remediation obligations	952	952
Certificates of participation	10,704	11,169
Net pension liability	339,538	254,935
Net OPEB liability	150,336	151,324
Total noncurrent liabilities	564,205	481,095
Total liabilities	656,295	567,105
DEFERRED INFLOWS OF RESOURCES		
Pension related	5,074	27,453
OPEB related	46,079	49,715
Total deferred inflows of resources	51,153	77,168
Total liabilities and deferred inflows of resources	707,448	644,273
NET POSITION		
Net investment in capital assets	434,371	386,714
Restricted for capital purchases	19,239	22,769
Restricted for debt service	836	763
Unrestricted	(384,102)	(386,703)
Total net position	$ 70,344	$ 23,543

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2019 and 2018
(In thousands)

	2019	2018
Operating revenues		
Passenger fares	$ 54,794	$ 52,245
Contract services	14,827	11,579
Operating revenues of JPA and consortium	2,552	2,477
Other	4,341	4,261
Total operating revenues	76,514	70,562
Operating expenses		
Operator wages	90,074	85,733
Other wages	68,913	64,353
Fringe benefits	175,138	172,335
Depreciation	43,075	40,230
Fuel and oil	14.499	12,734
Other material and supplies	11,212	13,951
Services	49,966	40,858
Insurance	11,064	7,425
Expenses of JPA and consortium	32,430	30,177
Other	9,275	8,243
Total operating expenses	505,648	476,039
Operating loss	(429,134)	(405,477)
Nonoperating revenues (expense)		
Operating assistance:		
Property taxes	140,194	134,694
Local sales tax	108,343	99,982
Local funds	92,517	91,555
Federal	20,843	5,598
State	13,659	13,681
Non-operating revenues of JPA and consortium	28,106	25,878
Gain (loss) on sale of capital assets	9	(1)
Interest income	1,292	575
Interest expense	(893)	(1,346)
Net nonoperating revenues	404,071	370,616
Loss before capital contributions	(25,063)	(34,861)
Capital contributions	71,863	74,470
Change in net position	46,800	(39,609)
Net position at beginning of year	23,544	(16,065)
Net position at end of year	$ 70,344	$ 23,544

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years ended June 30, 2019 and 2018
(In thousands)

	2019	2018
Cash flows from operating activities		
Cash received from customers	$ 70,496	$ 63,899
Cash payments to suppliers for goods and services	(129,044)	(117,906)
Cash payments to employees for services	(322,601)	(320,576)
Other operating receipts	6,893	4,261
Net cash used in operating activities	(374,257)	(370,322)
Cash flows from noncapital financing activities		
Operating assistance received	406,879	362,417
Net cash provided by noncapital financial activities	406,879	362,417
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(88,513	(91,612)
Capital contributions received	68,220	71,657
Proceeds from sale of capital assets	9	-
Principal paid on certificates of participation	(2,220)	(3,754)
Interest paid on certificates of participation	(935)	(1,355)
Net cash used in capital and related financial activities	(23,439)	(25,064)
Cash flows from investing activities		
Proceeds from investments	143,135	62,117
Purchase of investments	(145,153)	(68,065)
Investment income	1,292	575
Net cash provided by (used in) investing activities	(726)	(5,373)
Change in cash and cash equivalents	8,457	(38,342)
Cash and cash equivalents, beginning of year	83,284	121,624
Cash and cash equivalents, end of year	$ 91,741	$ 83,282
Summary of cash and cash equivalents reported on on the Statement of Net Position:		
Unrestricted cash and cash equivalents	$ 71,333	$ 59,375
Restricted cash and cash equivalents – capital purchases	19,239	22,769
Restricted cash and cash equivalents – certificates of participation	1,169	1,138
Total cash and cash equivalents reported on the Statement of Net Position	$ 91,741	$ 83,282

(Continued)

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT
ENTERPRISE FUND - COMPARATIVE SCHEDULES OF CASH FLOWS
For the years ended June 30, 2019 and 2018
(In thousands)

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (429,134)	$ (405,477)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	43,075	40,230
Effect of changes in assets and liabilities:		
Other trade receivables	(4,217)	(6,155)
Inventories	(1,277)	(411)
Due to/from Pension Trust Fund	3,620	(5,930)
Prepaid expenses	(2,653)	(1,788)
Accounts payable and accrued expenses	1,217	(352)
Accrued salaries and wages	(159)	(151)
Accrued vacation and sick leave	375	211
Unearned revenue	5,094	3,753
Other accrued liabilities	3,216	(1,868)
Claims liabilities	(1,101)	(99)
Net pension liability and deferred outflows/inflows from pension	14,706	(1,681)
Net OPEB liability and deferred outflows/inflows from pension	(7,019)	9,396
Net cash used in operating activities	$ (374,257)	$ (370,322)

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, 2019 and 2018
(In thousands)

	2019	2018
Operating revenues:		
Passenger fares	$ 57,346	$ 54,722
Bart transfers	6,186	4,263
Contract services	8,641	7,316
Advertising	1,717	1,365
Interest income	1,292	575
Other	2,576	2,895
Total operating revenues	77,758	71,136
Subsidies		
Property taxes	110,467	105,023
Property taxes - Measure VV	29,727	29,671
Local sales tax - Measure B	33,368	30,827
Local sales tax - Measure BB	36,934	33,990
Local sales tax - Measure J	5,064	4,878
Local operating assistance	23,130	26,958
State - AB 1107	46,777	43,009
State - AB2972 Home to School	500	(1,150)
State - TDA	76,795	71,618
State - STA	27,243	15,940
Federal operating assistance	13,659	10,624
Total subsidies	403,664	371,388
Total revenue and subsidies	481,422	442,524
Expenses:		
Operator wages	90,074	85,733
Other wages	68,913	64,353
Fringe benefits	105,033	121,411
Pension expense	70,105	50,923
Services	49,966	40,858
Fuel and lubricants	14,499	12,734
Office/printing supplies	640	743
Other materials and supplies	13,036	14,849
Utilities	3,504	3,310
Insurance	11,064	7,425
Expenses of JPA and consortium	32,430	30,177
Other expenses	3,299	3,605
Interest expense	893	1,329
Total expenses	463,456	437,450
Net revenues	17,966	5,074
Capital contributions	71,864	74,470
Depreciation	(43,075)	(40,230)
Excess of revenues over expenses	$ 46,755	$ 39,314

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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, 2019
(In thousands)

	Actual	Final Budget	Variance Favorable (Unfavorable)
Revenues:			
Passenger fares	$ 57,346	$ 55,350	$ 1,996
Bart transfers	6,186	4,376	1,810
Contract services	8,642	8,584	58
Advertising	1,717	1,195	522
Interest income	1,292	600	692
Other	2,576	2,782	(206)
Total operating revenues	77,759	72,887	4,872
Subsidies			
Property taxes	110,467	104,950	5,517
Property taxes - Measure VV	29,727	29,500	227
Local sales tax - Measure B	33,368	30,900	2,468
Local sales tax - Measure BB	36,934	33,789	3,145
Local sales tax - Measure J	5,064	5,000	64
Local operating assistance	23,130	19,675	3,455
State - AB1107	46,777	43,268	3,509
State - AB2972 Home to School	500	500	-
State - TDA	76,795	71,677	5,118
State - STA	27,243	24,302	2,941
Federal operating assistance	13,658	6,115	7,543
Total subsidies	403,663	369,676	33,987
Total revenue & subsidies	481,422	442,563	38,859
Expenses:			
Operator wages	90,075	87,756	(2,319)
Other wages	68,913	67,712	(1,201)
Fringe benefits	105,033	113,325	8,292
Pension expense	70,105	54,459	(15,646)
Services	49,966	32,429	(17,537)
Fuel and lubricants	14,499	15,194	695
Office/printing supplies	640	496	144
Other materials and supplies	13,036	12,873	(163)
Utilities	3,504	3,945	441
Insurance	11,064	15,173	4,109
Expenses of JPA and consortium	32,430	32,456	26
Other expenses	3,299	5,719	2,420
Interest expense	897	737	(160)
Total operating expenses	463,461	442,274	(21,187)
Excess of revenues over expenses	17,961	$ 289	$ 17,672
Depreciation and amortization	(43,075)		
Capital contributions	71,864		
Change in net position	$ 46,750		

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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, 2019

	Special Transit District 1	Special Transit District 2	Total	STSD 2 as a % of Total
Revenues				
Passenger fares	$ 53,520,787	$ 3,824,902	$ 57,345,689	6.67%
BART transfers	5,772,837	412,560	6,185,397	6.67%
Contract services	8,641,950	-	8,641,950	0.00%
Advertising	1,535,938	180,716	1,716,654	10.53%
Interest income	1,124,387	168,093	1,292,480	13.01%
Other income	2,305,579	271,101	2,576,680	10.53%
Total revenue	72,901,478	4,857,372	77,758,850	6.25%
Subsidies				
Property taxes	88,565,862	21,901,411	110,467,273	19.83%
Property taxes - Measure VV	29,727,022	-	29,727,022	0.00%
Local sales tax - Measure B	30,860,641	2,506,843	33,367,484	7.51%
Local sales tax - Measure BB	33,046,428	3,888,196	36,934,624	10.53%
Local sales tax - Measure J	5,063,883	-	5,063,883	0.00%
Local operating assistance	18,040,276	5,089,569	23,129,845	22.00%
State - AB1107	41,317,649	5,458,813	46,776,462	11.67%
State - AB2972 Home to School	500,000	-	500,000	0.00%
State - TDA	62,683,713	14,111,040	76,794,753	18.38%
State - STA	23,882,944	3,359,757	27,242,701	12.33%
Federal operating assistance	12,221,243	1,437,934	13,659,177	10.53%
Total subsidies	345,909,661	57,753,563	403,663,224	14.31%
Total revenue and subsidies	418,811,139	62,610,935	481,422,074	19.24%
Expenses				
Operator wages	80,994,979	9,079,508	90,074,487	10.08%
Other wages	61,658,150	7,254,611	68,912,761	10.53%
Fringe benefits	94,246,352	10,786,917	105,033,269	10.27%
Pension expenses	62,904,650	7,199,719	70,104,369	10.27%
Services	44,706,323	5,260,083	49,966,406	10.53%
Fuel & lubricants	12,973,070	1,526,393	14,499,463	10.53%
Office and printing supplies	573,239	67,446	640,685	10.53%
Bus parts and maintenance supplies	11,664,451	1,372,423	13,036,874	10.53%
Utilities	3,134,557	368,807	3,503,364	10.53%
Insurance	9,899,197	1,164,725	11,063,922	10.53%
Other expenses	2,950,869	347,195	3,298,064	10.53%
Expenses of JPA and consortium	26,136,261	6,294,180	32,430,441	19.41%
Interest expense	798,612	97,981	896,593	10.93%
Depreciation	38,540,310	4,534,598	43,074,908	10.53%
Total expenses	451,181,020	55,354,586	506,535,606	10.93%
Income (loss) before capital contributions	(32,369,881)	7,256,349	(25,113,532)	
Capital contributions - federal and local	67,794,721	4,068,593	71,863,314	5.66%
Change in net position	$ 35,424,840	$ 11,324,942	$ 46,749,782	

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.
- Depreciation on capital assets funded by District operations is not budgeted, as it is not an outflow of budgetary resources.

The effect of these differences between budgetary and GAAP accounting on the June 30, 2019 basic financial statements of the District's budgeted fund is as follows (in thousands):

Change in net position on GAAP basis	$ 46,800
Perspective differences	(45)
Change in net position on the budgetary basis	$ 46,755

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.