

ANTELOPE VALLEY TRANSIT AUTHORITY

LANCASTER, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



PREPARED BY THE FINANCE DEPARTMENT

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	3
Profile of the Antelope Valley Transit Authority	4
Economic Outlook	6
Major Initiatives in 2012-2013	8
Board of Directors	10
Organizational Chart	11
Financial Information	12
Awards, Applications and Acknowledgements	13

FINANCIAL SECTION

Independent Auditors' Report	15
Management's Discussion & Analysis <i>(Required Supplementary Information)</i>	19
Forward and Financial Highlights	19
Financial Statement Overview	20
Financial Statement Analysis	21
Statement of Net Position	21
Revenue & Expenses: Changes in Net Position	22
Basic Financial Statements	
Statements of Net Position	29
Statements of Revenues, Expenses and Changes in Net Position	30
Statements of Cash Flows	31
Notes to the Basic Financial Statements	33

STATISTICAL SECTION 49

Financial Trends	
Net Position by Component	50
Changes in Net Position	51
Revenue Capacity	
Revenue Sources	52
Demographic and Economic Information	
Demographics and Statistics of the Antelope Valley	53
Principal Employers in the Antelope Valley	54
Operating Information	
Ridership by Mode	55
Service: Fixed Route Statistics	56
Service: Demand Response Statistics	57
AVTA Employee Headcounts	58
Revenue Fleet by Mode of Service	59

AVTA Route Map Foldout

November 26, 2013

Honorable Chairman and Members of the Board of Directors:

California Government Code section 6500 requires that every general-purpose local government publish a complete set of audited financial statements within twelve months of the close of each fiscal year. This report for the Antelope Valley Transit Authority (AVTA or Authority) is published in fulfillment of that requirement for the fiscal year which ended June 30, 2013.

The Comprehensive Annual Financial Report (CAFR) is an important management tool. It enables AVTA officials, governmental funding providers, vendors and other interested parties to make sound financial decisions. This report provides an independently audited account of the financial condition of the Authority. The financial statements, supplemental schedules and statistical information are the representations of AVTA's management. Consequently, management assumes full responsibility for their accuracy, completeness and fairness. To provide a reasonable basis for making these representations, management has established a comprehensive internal control policy designed both to protect the Authority's assets from loss, theft or misuse, and to ensure the preservation of reliable information for the preparation of the Authority's financial statements in conformity with Generally Accepted Accounting Principles in the United States of America (GAAP). The Antelope Valley Transit Authority uses the accrual basis of accounting, and is treated as a single enterprise fund.

Windes & McClaughry Accountancy Corporation, Certified Public Accountants, audited Antelope Valley Transit Authority's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles, policies and principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that AVTA's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. All disclosures necessary to enable the reader to gain an understanding of AVTA's financial affairs have been included. The Independent Auditors' Report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with one another.

The information contained in this report has been organized into the following three sections:

Introductory Section – This section introduces the reader to the report and includes the table of contents, this transmittal letter, AVTA’s organizational chart, and lists of the board of directors and management staff.

Financial Section – This section is comprised of the independent auditors’ report, management discussion and analysis and the audited year-end basic financial statements, and the accompanying notes to the financial statements. The basic financial statements include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows.

Statistical Section – This section contains substantial financial information; however these tables differ from the financial statements in that they present some selected demographic and economic data of the Authority’s service area.

The independent audit of the financial statements of AVTA was part of a broader, federally mandated Single Audit designed to meet special requirements of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements in accordance with GAAP, but also on the Authority’s internal control and compliance with legal requirements involving the administration of federal awards in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The independent auditor concluded that AVTA complied in all material respects with the compliance requirements, and was free of any adverse findings. These reports are available in AVTA’s separately issued Single Audit Reports.

The balance of this letter of transmittal is intended to familiarize the reader with some of the policies, operations and activities of the AVTA, particularly as they relate to AVTA’s financial condition.

Profile of the Antelope Valley Transit Authority

The Antelope Valley Transit Authority is located in the Antelope Valley of Southern California, approximately 70 miles north of Los Angeles. Its principal office and facility for its active fleet of 71 buses is situated in the City of Lancaster. AVTA was formed to provide and administer public transportation services for the citizens of Lancaster, Palmdale and certain unincorporated sections of the County of Los Angeles in the Antelope Valley area. The Greater Antelope Valley area encompasses over 3,000 square miles and includes both Northern Los Angeles County and Eastern Kern County and is home to approximately 500,000 residents. The Antelope Valley provides a thriving environment for economic growth and offers a wide range of benefits to businesses seeking to relocate or expand their operations.

Services

The AVTA provides the following transportation services:

Local Fixed Route – There are 13 local fixed routes and 5 supplemental routes that coordinate with school schedules. In FY 2013, the farebox recovery ratio for local fixed route service was 14%. AVTA served 3 million passengers, an increase of 11% over FY 2012 levels.

Commuter – AVTA provides commuter service from the Antelope Valley to downtown Los Angeles, West Los Angeles/Century City and the San Fernando Valley. In the current year, the farebox recovery ratio for commuter services was 70%. AVTA provided services to 535,000 commuters, an increase of 14% over the prior year.

North County TRANSporter – This specialized commuter service provides connecting bus service to the Metrolink train schedule between the Antelope and Santa Clarita Valleys. Inaugural service commenced in August 2012, and provided services to 33,198 riders through FY 2013.

Dial-A-Ride – Supplemental demand response service is provided to Antelope Valley Residents. The service is supplemental to services provided by Access Services, the agency responsible for providing complementary ADA paratransit services throughout Los Angeles County. The number of trips provided was just below the contractual limit of 33,000 for Calendar Year 2012.

Service Changes – The AVTA Operations staff is continuously analyzing routes to address issues of passenger loading, frequency, on-time performance, local detours and other factors in an attempt to maximize service. A standardized service change schedule is developed and presented to the Board of Directors for their review and approval every six months.

AVTA's total service area covers 1,200 square miles and is bounded by the Kern County line to the north, the San Bernardino County line to the east, the Angeles National Forest to the south, and Interstate 5 to the west.

Reporting Entity

The Antelope Valley Transit Authority (AVTA), a public entity, was created on July 1, 1992 pursuant to Section 6506 of the Government Code of the State of California. AVTA was formed under a Joint Exercise of Powers Agreement (JPA). Its members consist of the County of Los Angeles and the cities of Lancaster and Palmdale. The JPA members jointly contribute capital and operating funds to AVTA each year to assist in the provision of transit services to the Antelope Valley area.

AVTA is governed by a six-member Board of Directors with governance responsibilities over all related activities. The Board is comprised of two directors from each participating jurisdiction. An Executive Director manages the day-to-day operations and implements Board policy in accordance with the duties specified in California Government Code and the Joint Powers Authority Agreement.

Economic Outlook

State and Regional Economy

AVTA uses the information presented in the 2013-2014 Mid-Year Economic Forecasts prepared by the Kyser Center for Economic Research of the Los Angeles County Economic Development Corporation (LAEDC) to assess economic conditions in the region.

While California coped with a more severe recession than rest of the U.S., it has also recovered with growth that has outpaced the rest of nation over the past 18 months. Gross State Product grew by 3.5% last year, well above the U.S. rate of 2.2%. The state's unemployment rate decreased from 11.0% in January 2012 to 9.8% in December. This trend continued into May 2013, with a further decrease to 8.6%, compared to the essentially flat national average of 7.6%.

Los Angeles County experienced non-farm job growth of 1.9%, trailing behind Orange and San Diego Counties, each with gains of just over 2%, but leading the Inland Empire and Ventura County gains of 1.8% and 1.5%, respectively. All of Southern California has seen unemployment rates come down, with Orange County showing the lowest rate of 5.5%.

In general, the Los Angeles County economy will continue improving through this year and into 2014. The population is anticipated to cross the 10 million mark in 2014, while non-farm jobs are expected to grow 1.7% for this year and another 1.3% in 2014. The largest gains for 2013 are expected to occur in leisure and hospitality, health care, professional & scientific services, and construction. Job losses will continue in manufacturing, while government jobs may end the year about flat, with a slight gain forecast for next year.

With these employment gains, total personal income is also expected to grow. A 2.1% gain is expected this year and a 4.9% increase is projected for 2014. Similarly, taxable retail sales will increase by 3.1% this year and by 3.8% next year, following a 10.3% surge in 2012.

While the general outlook is positive, there are concerns about the impact of federal budget cuts on specific segments of the local economy. In particular, defense-related cuts may lead to local losses of civilian jobs.

The same issue potentially arises with the U.S. Department of Transportation (USDOT) program ***Moving Ahead for Progress in the 21st Century Act*** (MAP-21), the multi-year transportation authorization that funds transportation programs for federal fiscal years 2013 and 2014. After an 80/20 split with Highway funding, about \$10.5 billion in Federal Fiscal Year 2013 and \$10.7 billion in FFY 2014 will be available to fund transit programs throughout the U.S.

AVTA receives the majority of its federal funding from MAP-21 via the Federal Transit Administration's ***Section 5307 Urbanized Area Formula Grants Program***. Although MAP-21

concludes at the end of FFY 2014, it is reasonably expected to be extended by Congress as the previous program had been. **Safe, Accountable, Flexible, Efficient Transportation Act – A Legacy for Users** (SAFETEA-LU) experienced 10 extensions over the three years prior to July 2012, when MAP-21 was signed into law.

As AVTA prepares its budget for the upcoming fiscal year of 2014-15, the prevailing economic conditions will be factored into the budget process. New funding sources and cost savings are a constant consideration while striving to maintain, at a minimum, the same level of exceptional transit services in the most efficient and effective manner.

The Greater Antelope Valley Economy

The Locale

The Greater Antelope Valley Economic Alliance (GAVEA) provides valuable information for businesses and organizations in the Antelope Valley in their efforts to attract, retain and grow business. AVTA is a member of GAVEA.

The Antelope Valley connects with the Los Angeles Metropolitan Area via State Highway 14 about 60 miles to the north, and is located near the border of Los Angeles County and Kern County, to the immediate north. This modern freeway climbs to an elevation of 2,500 feet, where the Antelope Valley begins. State Highway 138 links the region to the Inland Empire and California's Central Valley, providing an ideal location for businesses seeking to access both Southern and Central California. The region consists of five dynamic cities: Lancaster, Palmdale, Ridgecrest, Tehachapi and California City. The area is served by Los Angeles County's Metrolink train service, daily local transit and commuter bus services and a number of private transportation companies.

Planning continues to expand the transportation infrastructure to meet anticipated growth. These plans include eventual service by the California High Speed Rail system, commercial airline service at the Palmdale and Inyokern Airports, continued expansion of State Highways 14, 58 and 138, and the future east/west High Desert Corridor which will connect with Victor Valley to the east.

The median income for a household in the Antelope Valley in 2012 was \$67,268, about 12% less than the California median of \$75,111. Unemployment in the Antelope Valley is about 14%, considerably higher than the California average of 8.6%. As the Antelope Valley emerges from the 2008 recession, the area is starting to rebound with increased employment, retail sales, home values and a generally lower cost of living than areas closer to the Los Angeles Basin. The Antelope Valley is a recognized leader in the aerospace industry; Northrup Grumman, Lockheed Martin and Boeing all have significant presences at Palmdale's Air Force Plant 42 and at Edwards Air Force Base, about 40 miles to the northeast. Additionally, the Antelope Valley is benefitting from the ongoing surge in renewable energy with the investment of \$10 billion, primarily in solar and wind energy production.

Population Growth

GAVEA is projecting that the Antelope Valley population will grow by about 26% in the next 8 years, and by 50% between 2012 and 2035, as shown in the table below:

Figure 1 – Antelope Valley Population Forecast

	<u>2012</u>	<u>2020</u>	<u>2035</u>
Lancaster	157,826	174,807	201,310
Palmdale	153,708	179,274	206,143
Unincorporated L.A. County	92,905	134,000	172,173
Greater California City/Mojave	19,800	32,509	39,641
Greater Ridgecrest	28,089	39,442	41,737
Greater Rosamond	19,447	31,805	40,245
Greater Tehachapi	35,775	47,691	57,632
Total Antelope Valley	507,550	639,528	758,881

Major Initiatives in 2012-2013

2012-13 Annual Budget Process

Beginning in January 2012, AVTA management developed its staffing, operating and capital plans for the coming fiscal year. The effort produced the FY 2013 Budget, which includes the operating and capital spending plans and the projected funding sources and uses, emphasizing the Authority’s commitment to transit projects and services. The final Business Plan was presented to the Board of Directors for their review and approval.

Strategic Planning

Twice a year, the Board of Directors conducts strategic planning sessions with AVTA staff to provide direction and areas of concentration for the strategic direction of the Authority. The FY 2013 Business Plan focused on three areas: Staffing and Organization, Financial Health and Economic Stimulus, and Communication and Teamwork.

Staffing and Organization

AVTA reengineered its organizational structure, making several key hires to ensure that all necessary functions are being adequately performed. More emphasis was placed on increasing AVTA’s legislative profile, as representation and funding loom as key strategic issues. The Executive Staff created and adopted a new Vision and Values Statement to set high expectations in the pursuit of the Authority’s annual strategic goals.

Financial Health and Stimulus

All financial findings and questioned costs that had occurred in years prior to FY 2013 were addressed; the audit for FY 2012 resulted in a “clean”, unmodified opinion with no exceptions. AVTA produced a budget surplus for the year, increased its involvement in the transit-related planning efforts of its JPA members, and initiated regular reporting regarding grant funding opportunities. Staff implemented the tracking of key performance indicators that were tied to the FY 2013 Business Plan goals, and reported the results to the Board of Directors on a quarterly basis.

Communication and Teamwork

In FY 2013, AVTA initiated more joint events that included both staff and the Board of Directors, including its first Bus Roadeo. Updated and streamlined briefing materials and an introductory meeting with the Executive Director were provided to new Board members to help them assimilate their duties.

Other Accomplishments

- The Authority’s Phase II Construction Project, a multi-year effort that added needed space to AVTA’s operating facilities, was completed in November 2012, and dedicated in January 2013.
- As described above under Services, the TRANSporter Service was launched in collaboration with the County of Los Angeles, Metrolink and the City of Santa Clarita.
- The Authority took possession of 15 Gillig diesel hybrid local transit buses and 6 MCI Commuter coaches, as part of the regular Fleet Replacement Program.

Fiscal Year 2014 Initiatives

During the AVTA’s Strategic Planning Meeting in January 2013, the Board of Directors established goals in six areas for the FY 2014 budget cycle:

Safety - Increase the public confidence regarding safety on buses

Effectiveness - Improve communication

Outstanding Customer Service - Restructure service in a way that is responsive to customer concerns while living within our means

Organizational Leadership - Be proud to tell the AVTA story – create talking points to take out to the community

Efficiency - Develop a long-term plan that ensures a sustainable organization

Decision-making - Utilize data from new Intelligent Transportation System to improve decision-making

Board of Directors



Chair
Norman L. Hickling
County of Los Angeles



Director
Dianne Knippel
County of Los Angeles



Vice Chair
Marvin Crist
City of Lancaster



Director
Sandra Johnson
City of Lancaster

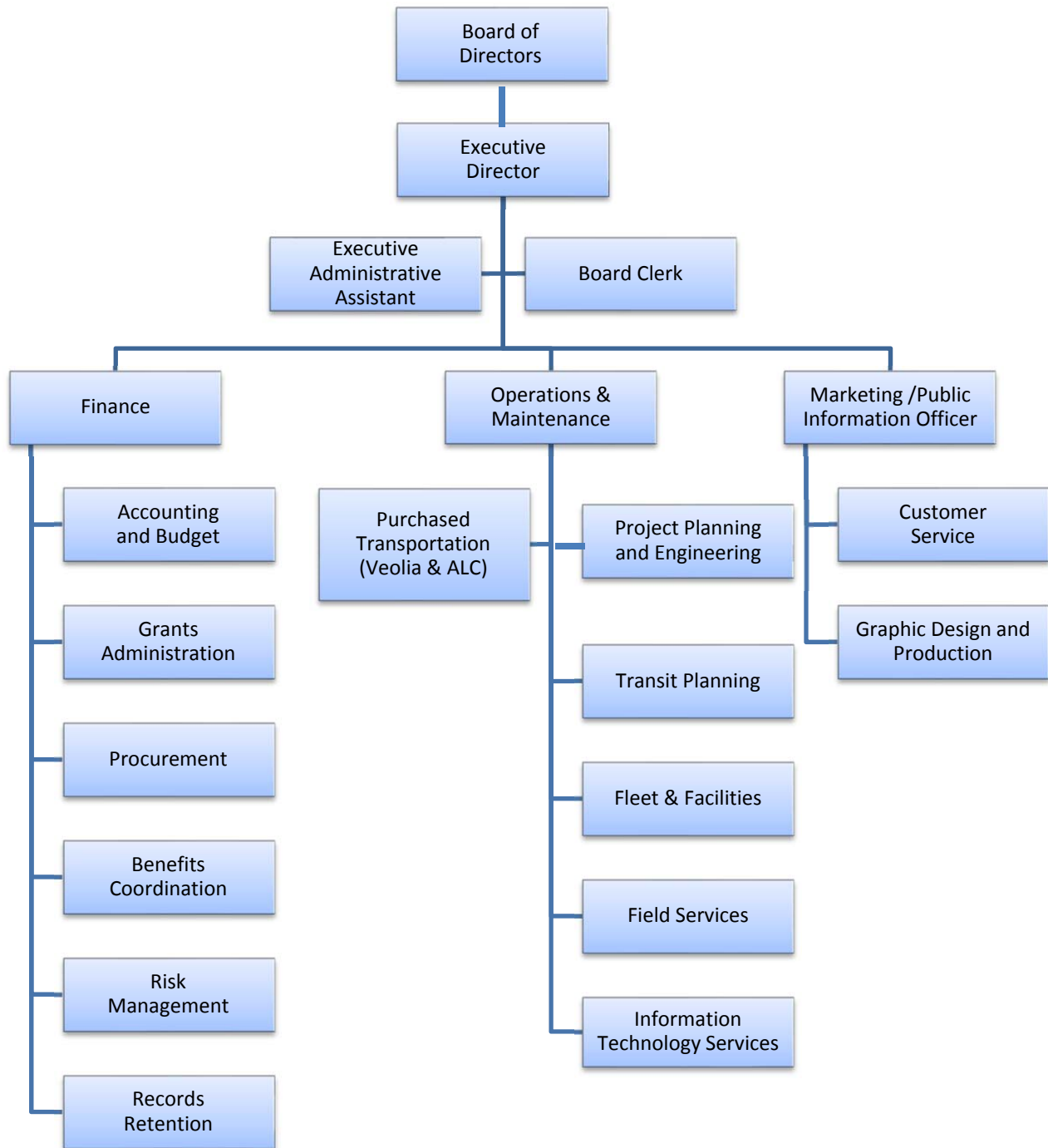


Director
Tom Lackey
City of Palmdale



Director
Steven Hoffbauer
City of Palmdale

Organizational Chart



Financial Information

Accounting Systems and Budgetary Control

In developing AVTA's accounting system, consideration was given to the adequacy of internal accounting controls that are designed to provide reasonable, but not absolute, assurance in connection with 1) the safeguarding of assets against loss from unauthorized use or disposition, and 2) the reliability of financial records to be used for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurances recognizes that that 1) the cost of control should not exceed the benefits likely to be derived, and 2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the framework described above. Management believes that the Authority's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

AVTA maintains budgetary controls to ensure compliance with the provisions embodied in the annual budget approved by the Board of Directors. In accordance with the Joint Powers Agreement, the Executive Director is authorized to transfer budgeted amounts within and between funds as deemed necessary in order to meet the Authority's needs; any revisions that exceed the approved budget must be authorized by the Board of Directors.

Long-Term Financial Planning and Major Initiatives

AVTA maintains a 5-Year Capital Improvement Plan to ensure that its facilities, equipment and infrastructure are well maintained and operating in peak condition. This gives the Authority the ability to plan for its capital needs and budget resources accordingly.

AVTA's major capital acquisitions for FY 2014 include the continued Fleet Replacement Program and associated major bus components; the acquisition of facilities-, maintenance- and computer-related equipment; the continuation of the Regional Partnership Project, a long-term program that funds transit-related projects and improvements throughout the Authority's service area; and the implementation of a state-of-the-art Intelligent Transportation System that will enhance bus operations and improve service to the public.

During the July 2013 strategic planning session, the Board of Directors gave its approval to conduct a demonstration project with two battery-electric buses. As of the date of this report, full funding for the project has been pledged by the Los Angeles County Board of Supervisors; procurement, infrastructure development and operations planning for an anticipated April 2014 starting date.

A Comprehensive Operational Analysis and Ten Year Plan study is planned for FY 2014. The results will provide valuable decision-making data for many ongoing issues, such as the electric bus deployment and the consideration of a Bus Rapid Transit Project that would serve the high-density ridership corridor between the cities of Palmdale and Lancaster. A fare restructuring evaluation is scheduled near the end of FY 2014 to ensure that AVTA's services are priced reasonably and meet customer needs as well as operational demands.

Awards

During FY 2013, the Antelope Valley Transit Authority was the recipient of the 2012 California Transit Association Small Operator's *Transit Excellence Award*. The award recognizes an outstanding program or service that demonstrates innovative concepts, effective problem-solving techniques, or promotes a positive image of transit in the community.

The American Public Transportation Association AdWheel Awards acknowledge the creative excellence of public transportation systems and business members in advertising, communications and marketing. AVTA was the recipient of two AdWheel awards for 2013:

A First Place Award was received in the Video Presentation Category for the video "*Travel Training Video - How to Plan your Trip.*"

A Grand Prize Award was received in the Television Advertisement or Public Service Announcement Category for the video "*Feel Like Ridin.*"

Applications

The Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting is a prestigious national award, recognizing conformance with the highest standards for preparation of a state or local government financial report. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

Management believes that our current CAFR meets the program requirements of the Certificate of Achievement for Excellence in Financial Reporting, and we are submitting it to the GFOA to determine its eligibility for a certificate for FY 2013.

Acknowledgements

The preparation of this report would not have been possible without the skill and effort of the Finance Department. Thanks to Len Engel, Director of Operations and Maintenance, and Wendy Williams, Manager of Marketing and Public Information Officer, for their assistance in preparing this report. Special thanks go to Executive Director Julie Austin for her guidance and leadership. We also wish to express our appreciation to the Board of Directors for their support in maintaining the highest standards in the management of AVTA's finances. Finally, we acknowledge the partnership, resources and professional guidance of Windes & McClaughry Accountancy Corporation.

A handwritten signature in black ink, appearing to read "Colby Kenisek".

Colby Kenisek

Director of Finance
Antelope Valley Transit Authority

This page left intentionally blank.



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Antelope Valley Transit Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Antelope Valley Transit Authority (AVTA), which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Antelope Valley Transit Authority as of June 30, 2013 and 2012, and the changes in its net position and its cash flows for the years 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 (MD&A) on pages 19-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

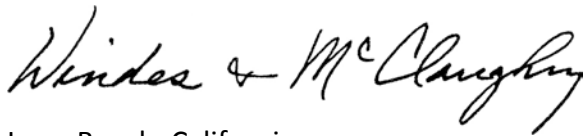
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 on our consideration of Antelope Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Antelope Valley Transit Authority's internal control over financial reporting and compliance.



Long Beach, California
November 26, 2013

This page left intentionally blank.

MANAGEMENT DISCUSSION AND ANALYSIS

Forward

The management of the Antelope Valley Transit Authority (AVTA or Authority) offers the readers of AVTA's financial statements this narrative overview and analysis of the financial activities of AVTA for the fiscal year ended **June 30, 2013**. Readers are encouraged to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- The net position of AVTA's assets exceeded its liabilities at the close of the most recent fiscal year by \$66,839,380. Of this amount, \$11,623,461 may be used to meet AVTA's ongoing financial obligations.
- AVTA's cash and investments at fiscal year-end June 30, 2013 were \$17,332,141.
- After recording the value of AVTA's capital assets net of accumulated depreciation, the increase in net position over the prior year from the most recent fiscal year's operations was \$18,203,869.
- Total revenues from all sources were \$43,183,671, an increase of \$9,765,812, or 29.2%, over last fiscal year.
- The total costs of all AVTA's transit services and projects were \$24,979,802, a reduction of (\$172,658), or (0.7%), from last fiscal year.
- The operating loss from providing transit services for the most recent year was (\$19,710,859). This is an increase of \$64,036, or 0.3%, from last fiscal year.
- Management's continued cost control efforts reduced operating expenses in FY 2013 (net of depreciation expenses) by \$93,415 from FY 2012.
- Jurisdictional members contributed \$3,524,379 in support of transit operations.
- During their meeting of March 26, 2013, the AVTA Board of Directors agreed to a one-year moratorium on payments into the capital reserve fund, ending June 30, 2013. Capital reserve payments by the jurisdictional members resumed on July 1, 2013. As of the audit date, first quarter payments have been received as agreed by the Authority.
- At the end of the fiscal year, capital assets not subject to depreciation were \$2,926,488; net capital assets subject to depreciation were \$47,854,946. Total net capital assets at fiscal year-end were \$50,781,434.
- At the end of the fiscal year, the unrestricted net assets of AVTA were \$11,623,461. This amount does not include restricted jurisdiction contributions to a capital reserve totaling \$4,434,485 (Includes contributions from prior years and interest earned).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statement Overview

The annual financial report consists of two parts, Management’s Discussion and Analysis and the basic financial statements, which includes accompanying notes to the financial statements.

The Antelope Valley Transit Authority is a government-funded entity that practices enterprise fund accounting and presents its financial statement based on the accrual method of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated. The accompanying financial statements provide a top-level view of the Authority’s financial picture in a format similar to that of private-sector companies. The Authority, like local and state governments, uses funds accounting to ensure and demonstrate compliance with finance-related legal requirements.

The following reports comprise AVTA’s basic financial statements:

Statements of Net Position - This report presents information on the Authority’s assets and liabilities; the difference between the two is reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the Authority is improving or deteriorating. It is important to consider other non-financial factors in order to accurately assess the overall health of AVTA, such as the ridership, fuel cost volatility, funding levels and other indicators.

Statements of Revenues, Expenses and Changes in Net Position - This report shows how AVTA’s net position changed during the most recent fiscal year. Because the financial statements are prepared on an accrual basis, changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods.

Statements of Cash Flows - This report presents the sources and uses of funds of AVTA. It shows the inflow and outflow of cash from AVTA’s operating activities, non-operating financing activities, capital activities and investing activities.

Notes to the Basic Financial Statements - The notes provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Audits - There were other audits that were, or are planned to be, conducted by relevant authorities in conjunction with the annual financial audit. This year, the Los Angeles Metropolitan Transportation Authority (LA Metro), commissioned two audits to be performed.

The annual Proposition A Discretionary Incentive Grant (Schedule of Expenditures) Audit was concluded in November 2013. The final statement will be issued upon review by LA Metro; no exceptions were reported in the draft statements.

During fiscal year 2013, AVTA participated in a Triennial Audit of Transportation Development Act funding activities (“TDA”) for the three fiscal years ended June 2012. While the Authority does not receive TDA Article 4 funds to operate its transit program, it is required to meet TDA guidelines under its agreement as an “eligible operator” with LA Metro under the Los Angeles County Formula Allocation Procedure (FAP), wherein AVTA receives formula-equivalent funds provided by local sources. Three minor compliance findings were reported; two of the findings were corrected within the audit review period and the third was corrected for data reported for the year ended June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statements Analysis

Statement of Net Position

As of June 30, 2013, AVTA's net position was \$66,839,380, as shown on Table 1.

Table 1 - Statement of Net Position

	2013	2012	\$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	\$20,887,206	\$17,550,395	\$3,336,811	19.0
Capital assets	50,781,434	36,898,608	13,882,826	37.6
Total assets	71,668,640	54,449,003	17,219,637	31.6
Long-term liabilities outstanding	0	0	0	0.0
Other liabilities	4,799,260	5,813,492	(1,014,232)	(17.4)
Total liabilities	4,799,260	5,813,492	(1,014,232)	(17.4)
Deferred inflows of resources	30,000	0	30,000	100.0
Net position:				
Invested in capital assets, net of accumulated depreciation	50,781,434	36,898,608	13,882,826	37.6
Restricted	4,434,485	4,423,713	10,772	0.2
Unrestricted	11,623,461	7,313,190	4,310,271	58.9
Total net position	\$66,839,380	\$48,635,511	\$18,203,869	37.4

AVTA's financial stability has continued to improve during these times of economic volatility.

The increase in total net position for the current fiscal year was \$18,203,869, or 37.4%, over the prior fiscal year. The favorable change is largely attributable to an increase in federal funding and investment in capital assets, including new fixed route and commuter fleet buses and the completion of the Authority's Phase II Facilities Expansion Project.

The unrestricted net position balance of \$11,623,461 as of the same date is available to meet the Authority's ongoing financial obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue & Expenses: Changes in Net Position

The changes in AVTA's Net Position are detailed in Table 2.

Table 2 - Statement of Changes in Revenues, Expenses and Net Position

	2013	2012	\$ Increase (Decrease)	% Increase (Decrease)
Revenues:				
Passenger Fares	\$4,832,800	\$4,686,665	\$146,135	3.1
Operating grants and contributions	21,535,855	19,340,455	2,195,400	11.4
Capital grants and contributions	16,444,223	9,064,380	7,379,843	81.4
Other non-transportation revenues	370,793	326,359	44,434	12.5
Total revenues	43,183,671	33,417,859	9,765,812	29.2
Expenses:				
Purchased transportation	12,318,390	10,457,322	1,861,068	17.8
Fuel	2,819,513	3,081,667	(262,154)	(8.5)
Other operating costs	824,123	1,363,069	(538,946)	(39.5)
General and administrative expenses	4,062,048	5,215,431	(1,153,383)	(22.1)
Depreciation	4,519,585	4,215,999	303,586	7.2
Loss on disposal of assets	38,462	399,159	(360,697)	(90.4)
Capital Expenses	397,681	419,813	(22,132)	(5.3)
Total expenses	24,979,802	25,152,460	(172,658)	(0.7)
Change in net position	18,203,869	8,265,399	9,938,470	120.2
Net position, beginning of the year	48,635,511	40,370,112	8,265,399	20.5
Net position, end of year	\$66,839,380	\$48,635,511	\$18,203,869	37.4

Revenues

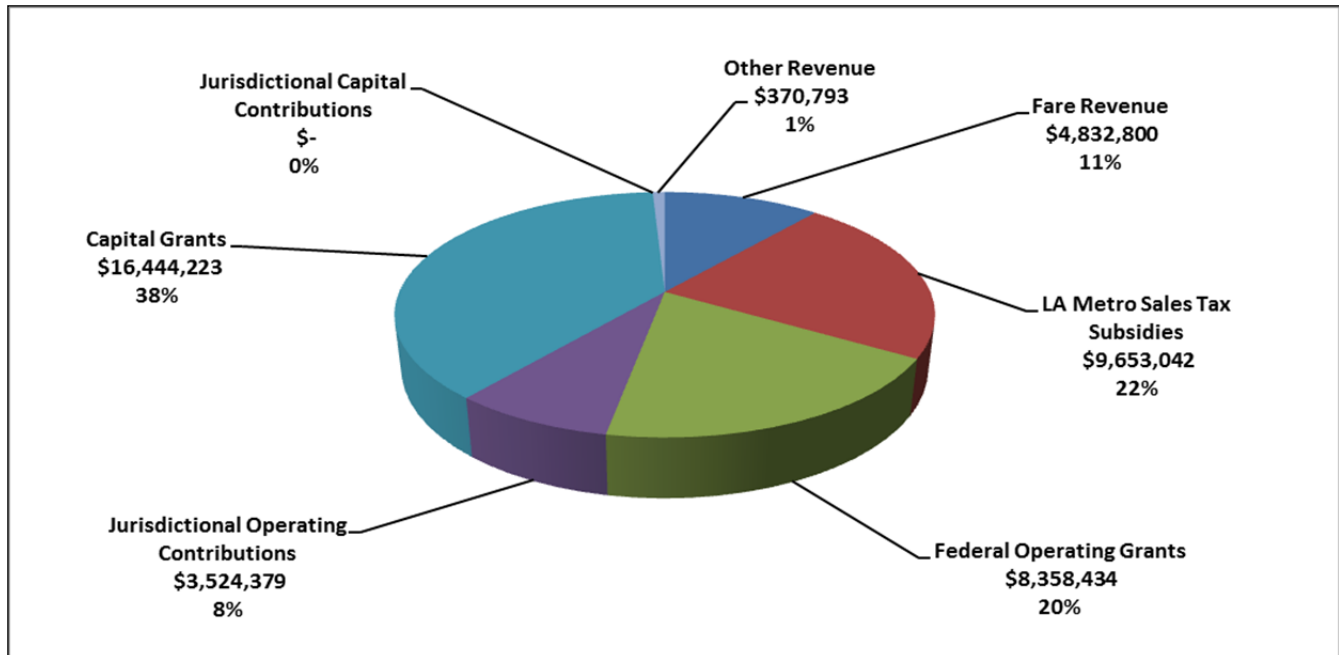
During the fiscal year ended June 30, 2013, AVTA's total revenues from all sources were \$43.2 million, an increase of 29.2% compared to last fiscal year. Passenger Fares increased slightly by \$146,135, or 3.1%, keeping pace with increased ridership. The \$2.1 million increase in operating grants includes a one-time allowance by FTA in FY13 to cover Fuel Costs of \$784,754, additional preventive maintenance from FTA grants of \$476,093, and an increase in jurisdictional operating contributions of \$237,995. Capital Grants increased \$7.4 Million due to American Recovery and Reinvestment Act ("ARRA") Grants used to purchase 15 Hybrid Local Fleet Buses and support vehicles. Other revenues increased due primarily to advertising revenue and Solar Power Rebates from Southern California Edison, totaling \$278,924.

MANAGEMENT DISCUSSION AND ANALYSIS

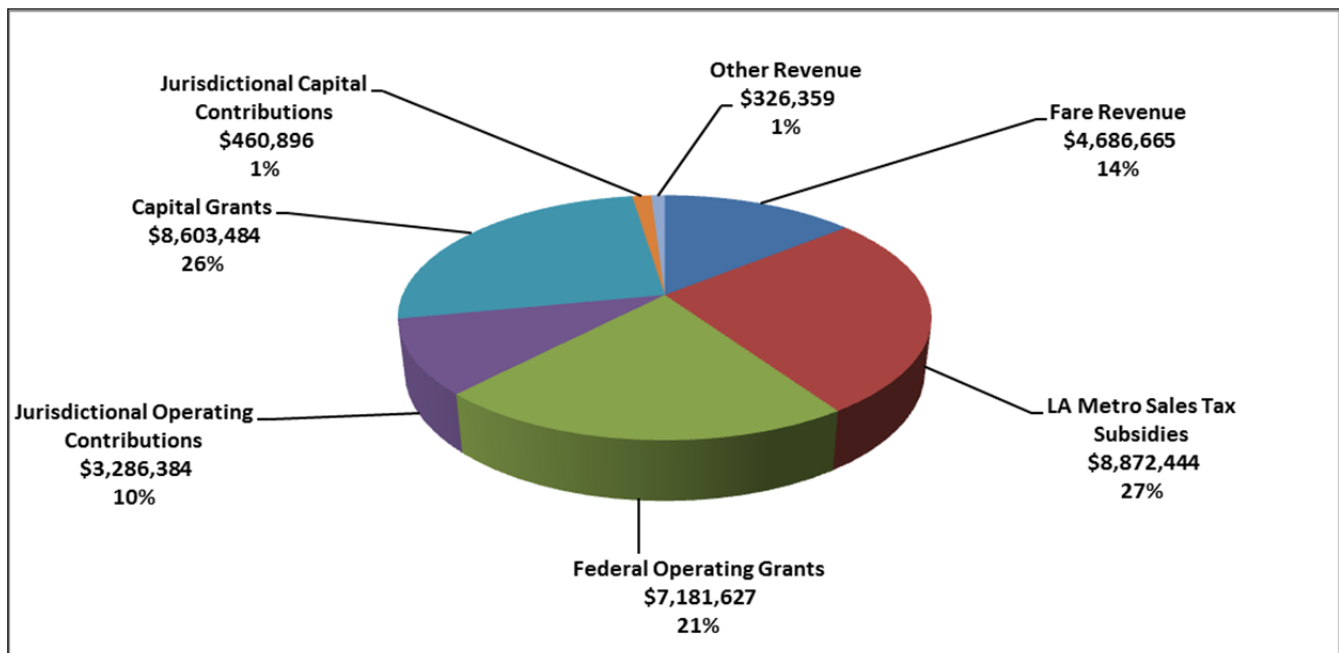
AVTA’s revenue sources for fiscal years 2013 and 2012 are illustrated in the pie charts in Figure 1. The percentage relationship of these revenues to each other and their impact on the Authority’s total funding sources is also reflected below.

Figure 1 – Revenues by Source

Fiscal Year 2013



Fiscal Year 2012



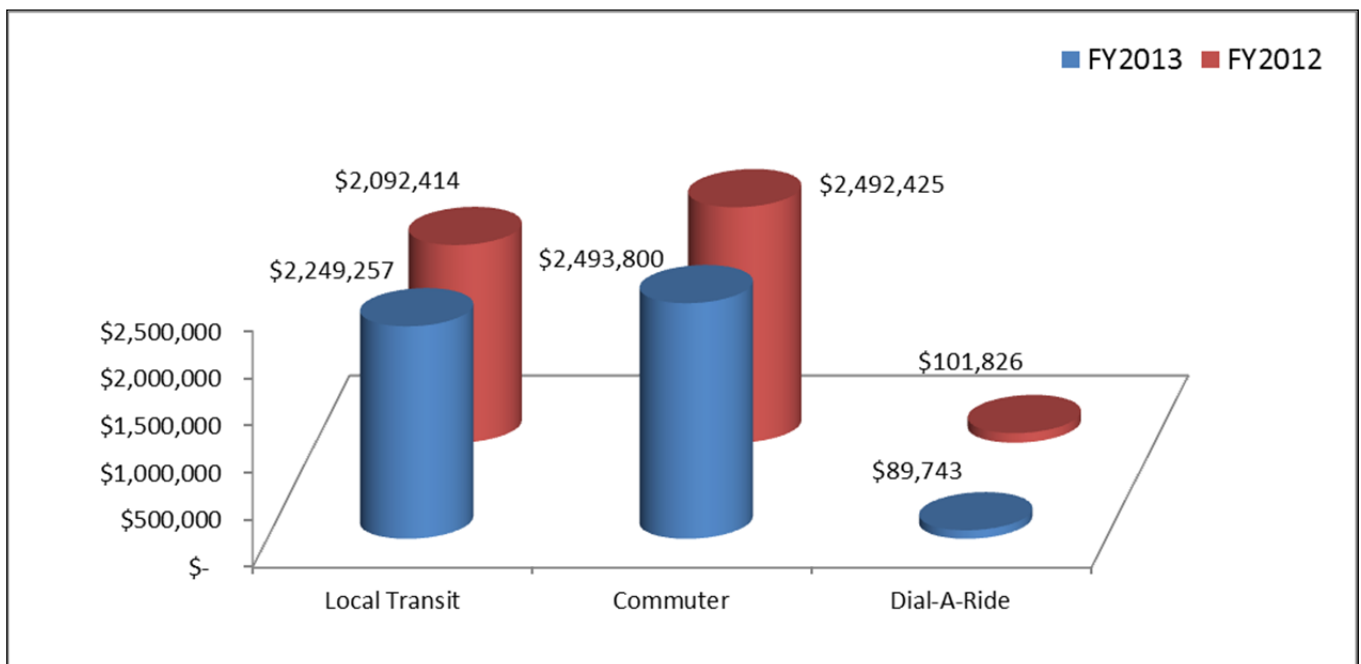
MANAGEMENT DISCUSSION AND ANALYSIS

Capital grants were the largest revenue source in FY13 at 38% of the total. Los Angeles Metro Sales Tax Subsidies (Propositions A and C and Measure R) were next at 22%, and Federal Operating grants were at 20% of total revenues. Jurisdictional operating contributions remained consistent in both years; the difference in figures was caused by changes in supplemental services provided to the Cities of Palmdale and Lancaster. The AVTA Board of Directors suspended jurisdictional capital contributions during FY13; payments were resumed effective FY14.

Farebox Revenue

Farebox revenue is received as a result of three services provided by AVTA to the public: Local Transit, Commuter and Dial-a-Ride. The comparative amounts for each service contributing to total farebox revenues for fiscal years 2013 and 2012 are illustrated in Figure 2 below.

Figure 2 – Farebox Revenue by Service Provided



Total farebox revenue increased by 3.1% in FY 2013, \$4.7 million to \$4.8 million. AVTA's fare structure remained the same in both years. Local transit revenue increased by 7.5%, while Dial-a-Ride revenue decreased by 11.9%. Commuter service revenue decreased slightly.

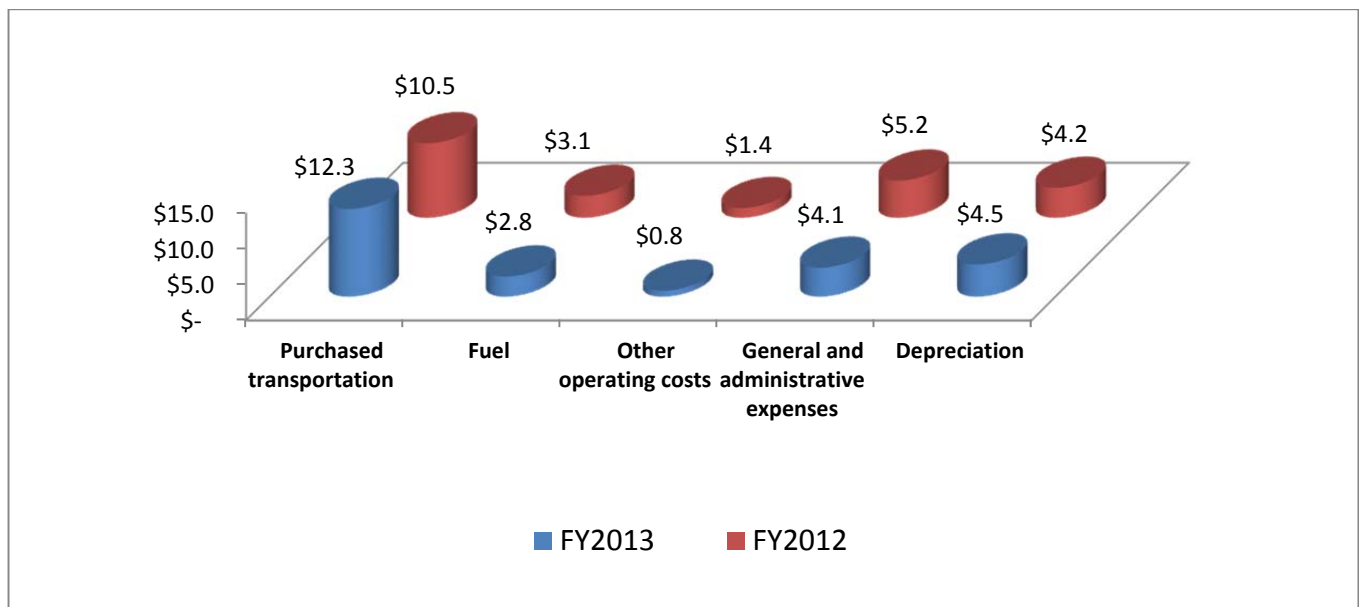
MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

AVTA's total operating expenses are reported in the following categories: purchased transportation, fuel, other operating costs, general and administrative, and depreciation. Total operating expenses were \$24.5 million and \$24.3 million in FY 2013 and FY 2012, respectively. The major changes occurred in purchased transportation and fuel costs.

The comparative amounts for each operating expense category for fiscal years 2013 and 2012 are illustrated in Figure 3 below.

Figure 3 – Operating Expense Amounts by Category



Total expenses for the Authority include operating expenses plus loss on disposal of assets and capital expenses.

With the exception of purchased transportation and depreciation, all other expense categories decreased from the previous year as management continued to practice prudent cost controls.

AVTA contracts with Veolia Transportation for local transit, commuter services and maintenance services, and American Logistics Company (ALC) for dial-a-ride services. Purchased Transportation increased \$1.9 million for the year ended June 30, 2013, or 17.8%. The increase is attributed to the contracted cost increases with Veolia and ALC, and increases in ridership in Commuter and Transporter services.

Fuel use decreased \$300,000, as 15 hybrid buses went into service in November. Initial results were a 60% increase in mileage for these units. The Authority is investigating more strategies to reduce fuel costs, including the consideration of hedging to minimize price volatility and an electric bus demonstrator project.

Other Operating Costs decreased \$500,000 due to savings in wages and benefits as the maintenance function was outsourced to Veolia as of January 1, 2012.

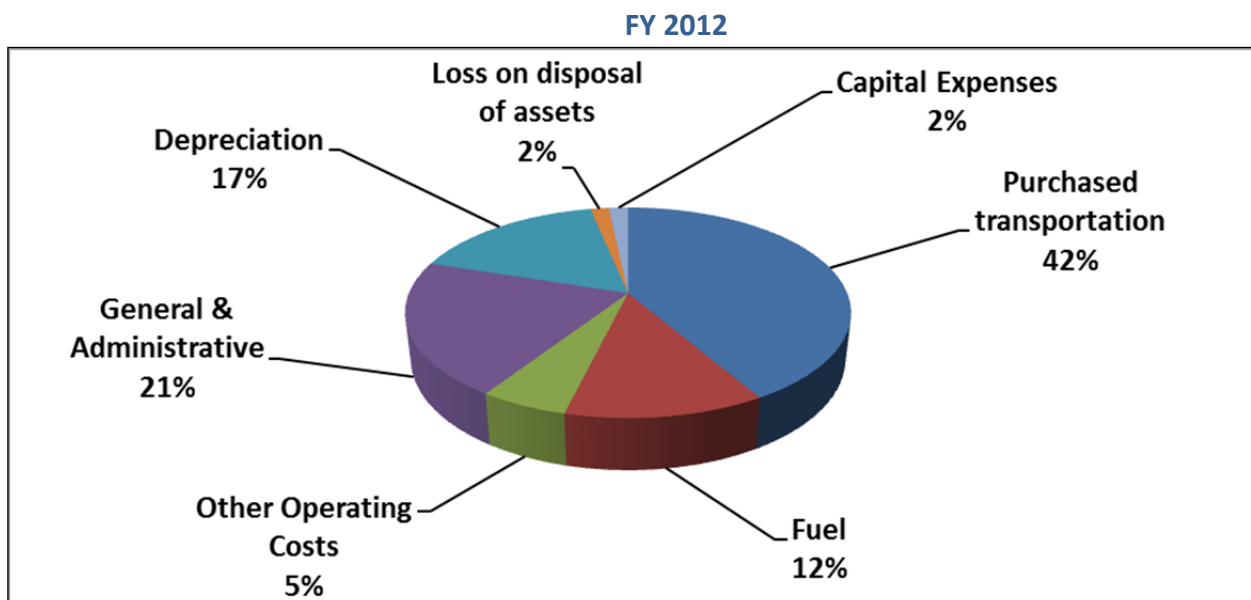
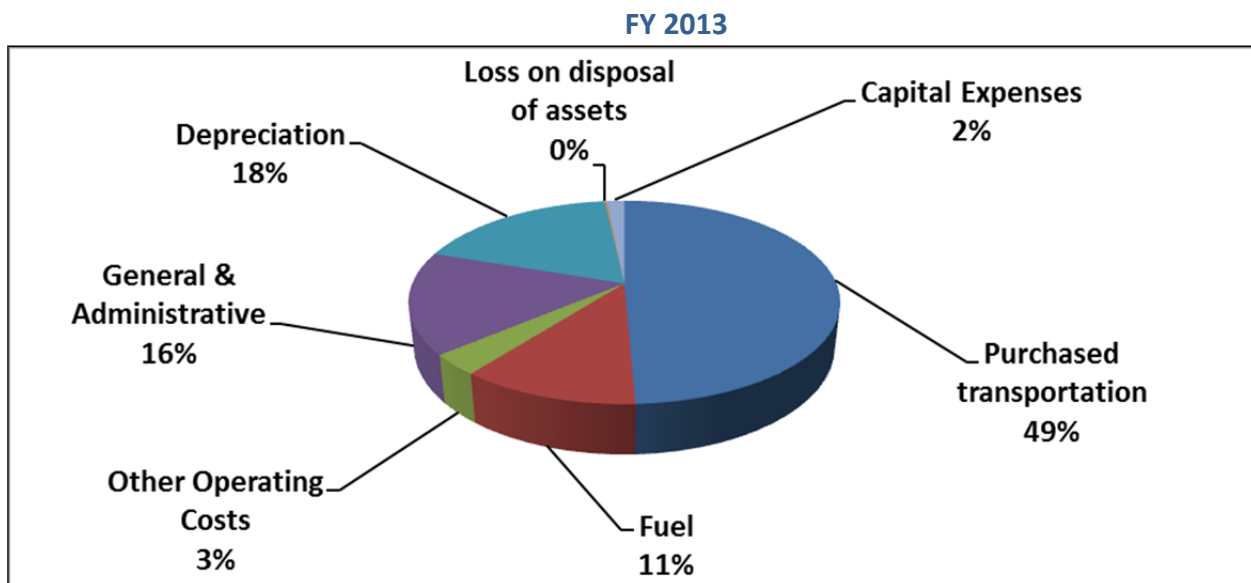
MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative decreased \$1.2 million as legal and consulting fees were less than the previous year.

Depreciation increased \$300,000, as the 15 local transit hybrids and 6 commuter buses were purchased, replacing aging, fully depreciated units; these units were disposed of in accordance to FTA requirements.

Figure 4 shows the comparative amounts for each expense category for fiscal years 2013 and 2012.

Figure 4 – Cost Categories as a Percentage of Total Expenses



MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Major Funds

AVTA uses fund accounting to ensure and demonstrate compliance with finance-related reporting requirements. The general fund is the chief operating fund of AVTA. The focus of the general fund is to provide information on inflows, outflows and the balances of spendable resources. Fund accounting facilitates tracking the funding and expenses associated with specific projects, required for reporting whenever federal funds are used.

As of June 30, 2013, unrestricted net position is \$11.6 million, an increase of \$4.3 million over the prior year. Restricted funds are \$4.4 million, representing the jurisdictional members' capital reserve contributions balance; as no payments to the capital reserve fund were made, the only change during FY2013 was from interest earned on the funds during the year.

Summary General Fund Budgetary Highlights

At the end of FY 2013, total operating revenues were higher than budgeted by \$3.3 million, or 14.2%. Total operating expenditures, excluding depreciation, was \$1.4 million, or 6.5% lower than budget.

Capital Assets

The details of the Authority's investment in capital assets for the past two fiscal years are presented in Table 3.

Table 3 - AVTA's Capital Assets (net of accumulated depreciation)

	2013	2012	\$ Increase (Decrease)	% Increase (Decrease)
Construction in progress	\$1,109,872	\$6,626,180	(\$5,516,308)	(83.3)
Land	1,816,616	1,816,616	-	0.0
Buildings and improvements	25,738,069	16,390,047	9,348,022	57.0
Transportation equipment	21,096,406	10,554,632	10,541,773	99.9
Computer equipment	927,427	1,003,437	(76,010)	(7.6)
Other Equipment	93,044	507,696	(414,651)	(81.7)
Total net position	\$50,781,434	\$36,898,608	\$13,882,826	37.6

As of June 30, 2013, the Authority had a total of \$50.8 million invested in capital assets. This total represents a net increase of \$13.9 million, or 37.6%, over the prior year total of \$36.9 million. As previously stated, this increase is attributable to the investment in fixed route and commuter vehicle replacement, and the completion of the Phase II Construction Project, an enlargement of the Authority's operating facility.

Additional information regarding the Authority's capital assets can be found in Note 5 in the Notes to the Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Long-Term Debt

AVTA has no direct or indirect bonded indebtedness. The agency has no plan or intention to incur any bonded indebtedness in its long-term strategic plan.

Next Year's Budget

The goals established by the Board of Directors during the January 2013 Strategic Planning Meeting were classified into the following six areas:

- *SAFETY* – Increase the public confidence regarding safety on buses
- *EFFECTIVENESS* – Improve communication
- *OUTSTANDING CUSTOMER SERVICE* – Restructure service in a way that is responsive to customer concerns while living within our means
- *ORGANIZATIONAL LEADERSHIP* - Be proud to tell the AVTA story – create talking points to take out to the community
- *EFFICIENCY* – Develop a long-term plan that ensures a sustainable organization
- *DECISION MAKING* – Utilize data from the new Intelligent Transportation System (when installed) to improve decision making

Requests for Information

This Comprehensive Annual Financial Report is designed to provide our customers, stakeholders, and other interested parties with an overview of the Authority's financial operations and condition. If the reader has any questions about this report or needs additional information, you may contact the Authority's Director of Finance at:

Antelope Valley Transit Authority
42210 6th Street West
Lancaster, CA 93534

* * * * *

STATEMENTS OF NET POSITION

ASSETS

	June 30,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 17,332,141	\$ 11,844,405
Due from other governments (Note 3)	2,973,322	5,051,979
Other receivables	252,176	237,689
Inventory	319,953	355,692
Prepaid items	9,614	60,630
	20,887,206	17,550,395
NONCURRENT ASSETS		
Capital assets, depreciated, net (Note 5)	50,781,434	36,898,608
TOTAL ASSETS	71,668,640	54,449,003

LIABILITIES AND NET POSITION

CURRENT LIABILITIES		
Accounts payable	1,677,275	2,599,028
Due to Federal Transit Administration	4,371	79,200
Accrued payroll	74,204	66,409
Unearned revenue - Prop 1B (Note 4)	2,778,768	2,828,151
Compensated absences (Note 6)	264,642	240,704
Total Current Liabilities	4,799,260	5,813,492
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue - other	30,000	-
NET POSITION		
Invested in capital assets	50,781,434	36,898,608
Restricted for capital acquisition	4,434,485	4,423,713
Unrestricted	11,623,461	7,313,190
TOTAL NET POSITION	\$ 66,839,380	\$ 48,635,511

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Year Ended June 30,	
	2013	2012
OPERATING REVENUES		
Charges for services:		
Passenger fares	\$ 4,832,800	\$ 4,686,665
Total operating revenues	4,832,800	4,686,665
OPERATING EXPENSES		
Purchased transportation services:		
Outside transit contract	12,318,390	10,457,322
Fuel	2,819,513	3,081,667
Other operating costs	824,123	1,363,069
General and administrative	4,062,048	5,215,431
Depreciation	4,519,585	4,215,999
Total operating expenses	24,543,659	24,333,488
Operating loss	(19,710,859)	(19,646,823)
NONOPERATING REVENUES (EXPENSES)		
Interest income	12,421	18,089
Local operating grants – LA Metro	9,653,042	8,872,444
Federal operating grants	8,358,434	7,181,627
Member agency contributions	3,524,379	3,286,384
Capital expenses	(397,681)	(419,813)
Loss on sale of assets	(38,462)	(399,159)
Other	358,372	308,270
Total nonoperating revenues and expenses	21,470,505	18,847,842
Income/(loss) before capital contributions	1,759,646	(798,981)
CAPITAL CONTRIBUTIONS		
Capital grants	16,444,223	8,603,484
Member contributions	460,896	460,896
Total capital contributions	16,444,223	9,064,380
NET CHANGE IN NET POSITION	18,203,869	8,265,399
NET POSITION, BEGINNING OF YEAR	48,635,511	40,370,112
NET POSITION, END OF YEAR	\$ 66,839,380	\$ 48,635,511

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

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 4,832,800	\$ 4,560,134
Non-operating miscellaneous received	358,372	308,270
Cash payments to suppliers for goods and services	(17,608,610)	(11,936,791)
Cash payments to employees for services	(3,325,536)	(3,887,742)
Net Cash Used In Operating Activities	<u>(15,742,974)</u>	<u>(10,956,129)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating grants received	18,970,317	14,144,719
Contributions received from member agencies	<u>4,518,027</u>	<u>2,361,679</u>
Net Cash Provided By Noncapital Financing Activities	<u>23,488,344</u>	<u>16,506,398</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(18,524,385)	(9,555,310)
Proceeds received from sale of capital assets	81,620	78,459
Capital grants received	16,334,792	8,074,638
Capital expenses	(397,681)	(419,813)
Capital contributions received from member agencies	<u>235,599</u>	<u>225,297</u>
Net Cash Used In Capital and Related Financing Activities	<u>(2,270,055)</u>	<u>(1,596,729)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>12,421</u>	<u>18,089</u>
Net Cash Provided By Investing Activities	<u>12,421</u>	<u>18,089</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,487,736	3,971,629
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>11,844,405</u>	<u>7,872,776</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 17,332,141</u>	<u>\$ 11,844,405</u>

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

STATEMENTS OF CASH FLOWS
Continued

	For the Year Ended	
	June 30,	
	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	(\$ 19,710,859)	(\$ 19,646,823)
Adjustments to net cash used in operating activities:		
Depreciation	4,519,585	4,215,999
Miscellaneous income	358,372	308,270
Decrease/(increase) in other receivables	(14,487)	2,192,146
Decrease in inventory	37,631	264,440
Decrease in prepaid items	51,016	105,895
Increase in accounts payable	(921,753)	1,260,725
(Decrease) in due to Federal Transit Administration	(74,829)	(2,031,275)
(Decrease)/increase in accrued payroll	7,795	(6,698)
(Decrease)/increase in unearned revenue	(19,383)	2,362,363
Increase in compensated absences payable	<u>23,938</u>	<u>18,829</u>
 Net Cash Used In Operating Activities	 <u>(\$ 15,742,974)</u>	 <u>(\$ 10,956,129)</u>

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

There were no noncash investing, capital or financing activities during the fiscal years ended June 30, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 – Summary of Significant Accounting Policies

The Reporting Entity

The Antelope Valley Transit Authority (AVTA) is located in southern California approximately 70 miles northeast of Los Angeles. AVTA was formed to provide and administer public transportation services in the Antelope Valley, including local passenger bus service, a commuter bus service, and a Paratransit service.

AVTA is a public entity organized on July 1, 1992 pursuant to Section 6506 of the Government Code of the State of California. AVTA is governed by a Joint Powers Agreement (JPA) whose members consist of the County of Los Angeles (a political subdivision of the State of California), the City of Palmdale, and the City of Lancaster (each a municipal corporation of the State of California). The JPA provides a cost sharing agreement among its members who jointly fund their jurisdictional share of transportation services provided to the Antelope Valley. AVTA operates under a Board of Directors/Manager form of government, with the Board being comprised of two Directors appointed from each participating member's jurisdiction.

AVTA accounts for its financial transactions in accordance with the policies and procedures of the State of California - Uniform System of Accounts for Special Districts. The accounting policies of AVTA conform to accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board and the American Institute of Certified Public Accountants.

AVTA, for financial purposes, includes all operations of AVTA. The Board of Directors has governance responsibilities over all activities related to AVTA. AVTA receives funding from local, county, state and federal government sources and must comply with requirements of these entities.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

AVTA is accounted for as an enterprise fund (proprietary fund type) using the economic resources measurement focus and the accrual basis of accounting. A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. Revenues are recognized when earned and expenses are recognized as they are incurred.

During the year ended June 30, 2013, AVTA implemented Statement No. 63 of the Government Accounting Standards Board (GASB), “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the financial statements as a result of implementing GASB No. 63. Statement No. 63 requires public entities to no longer report net assets and to replace with net position. Accordingly, AVTA has reported a Statement of Net Position in lieu of a Statement of Net Assets, with net position being equal to assets, less liabilities, and less deferred inflows of resources.

Classification of Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal operations. The principal operating revenues of AVTA consist of transit fees. Nonoperating revenues consist of federal and county operating grants, investment income, and member contributions that can be used for either operating or capital purposes. Operating expenses include outside transit contracts, which provide transportation and maintenance services, fuel expenses, administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of three months or less.

Budgetary Information

Although AVTA prepares and approves an annual budget, budgetary information is not presented because AVTA is not required to present a budget.

Inventory and Prepaid Items

Inventory consists of two components. Fuel in storage held for consumption and parts used for the maintenance of transportation equipment and facilities. Both are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the accompanying financial statements.

Capital Assets

It is AVTA's policy to capitalize all capital assets with a cost of more than \$5,000. Depreciation of all exhaustible property, plant and equipment used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Transportation equipment	3-12
Vehicles	4-6
Buildings	34
Computer equipment	3
Furniture and fixtures	3-10
Equipment – other	3-12

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Federal, State and Local Grants

Federal, state and local governments have made various grants available to AVTA for operating assistance and acquisition of capital assets. Grants for operating assistance, or for the acquisition of equipment or other capital outlays, are not formally recognized as revenue until the grant becomes a valid receivable. This occurs as a result of AVTA complying with appropriate grant requirements. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable. Revenues earned under capital grants are included in capital contributions when the related expenses are incurred.

Compensated Absences

It is AVTA's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Upon termination, an employee will be paid for any unused vacation. Sick leave is payable when an employee is unable to work because of illness. Upon termination, AVTA employees are not paid for unused sick pay. Accumulated unpaid vacation and vested sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

Deferred Inflows of Resources

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as revenue until that time.

Use of Estimates

The preparation of the accompanying basic financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenditures, as well as to make disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The principal area requiring the use of estimates includes the determination of the useful lives of capital assets.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Cash on hand	\$ 750	\$ 750
Deposits with financial institutions	13,742,914	8,265,951
Local Agency Investment Fund (LAIF)	<u>3,588,477</u>	<u>3,577,704</u>
Total cash and cash equivalents	<u>\$ 17,332,141</u>	<u>\$ 11,844,405</u>

The table below identifies the investment types that are authorized for AVTA by the California Government Code (or AVTA's investment policy, whichever is more restrictive). The table also identifies certain provisions of the California Government Code (or AVTA's investment policy, whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Authorized By Investment Policy</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer*</u>
Local Agency Bonds	No	N/A	N/A	N/A
U.S. Treasury Obligations	Yes	1 year	50%	None
U.S. Agency Securities	No	N/A	N/A	N/A
Banker's Acceptances	Yes	180 days	15%	30%
Commercial Paper	Yes	180 days	10%	10%
Negotiable Certificates of Deposit	Yes	1 year	25-50%	None
Repurchase Agreements	Yes	1 year	None	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	15%	10%
Mortgage Pass-through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund (LAIF)	Yes	N/A	None	None

* Based on State law requirements or investment policy requirements, whichever is more restrictive.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 – Cash and Cash Equivalents (Continued)

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees, are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or AVTA’s investment policy. AVTA did not have any investments held by bond trustees as of June 30, 2013 and 2012.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates.

Information about the sensitivity of the fair value of AVTA’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of AVTA’s investments by maturity:

<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>
Local Agency Investment Fund (LAIF)	<u>\$ 3,588,477</u>	<u>\$ 3,588,477</u>
Total	<u>\$ 3,588,477</u>	<u>\$ 3,588,477</u>

Funds invested with the State Treasurer’s LAIF may have maturities longer than 90 days; however, LAIF functions as a demand deposit account. Therefore, AVTA considers LAIF as cash equivalents.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2013 and 2012, AVTA did not have any investments whose fair values are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of that investment. This is measured by the assignment of a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 – Cash and Cash Equivalents (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude to AVTA's investment in a single issue or instrument. AVTA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2013 and 2012, except for its investment in LAIF, AVTA did not have any investments in any one issuer that represented 5% or more of its total investment portfolio.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 – Cash and Cash Equivalents (Continued)

Investment in State Investment Pool

AVTA is a voluntary participant in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of AVTA’s investment in this pool is reported in the accompanying financial statements at amounts based upon AVTA’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, and are recorded on an amortized cost basis. Included in LAIF’s investment portfolio are mortgage-backed securities, loans to certain state funds, securities with interest rates that vary according to changes in rates greater than a one-for-one basis, and structured notes. LAIF is not rated by a recognized statistical rating organization.

NOTE 3 – Due From Other Governments

Due from other governments consisted of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Federal grants	\$ 2,887,209	\$ 3,822,732
Local grants - MTA	86,113	
Operating contributions		
City of Lancaster		395,133
City of Palmdale		321,951
Los Angeles County		276,564
Capital reserve contribution		
City of Lancaster		137,625
City of Palmdale		40,724
Los Angeles County		<u>57,250</u>
Total due from other governments	<u>\$ 2,973,322</u>	<u>\$ 5,051,979</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 4 – Unearned Revenue

The Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) Fund is a part of the State of California’s Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA fund, \$3.6 billion of which was made available to fund grants to project sponsors in California for approved eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. It is AVTA’s practice to record as unearned revenue any funds received prior to the incurrence of eligible expenses. PTMISEA activity during the fiscal years ended June 30, 2013 and 2012 was as follows:

Unspent PTMISEA funds as of July 1, 2011	\$ 465,788
PTMISEA funds received during the fiscal year ended June 30, 2012	3,619,364
PTMISEA expenses incurred during the fiscal year ended June 30, 2012	(<u>1,257,001</u>)
Unspent PTMISEA cash receipts as of June 30, 2012	2,828,151
PTMISEA funds received during the fiscal year ended June 30, 2013	1,245,108
PTMISEA expenses incurred during the fiscal year ended June 30, 2013	(<u>1,294,491</u>)
Unspent PTMISEA cash receipts as of June 30, 2013	<u>\$ 2,778,768</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 5 – Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2013 is shown below:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 1,816,616			\$ 1,816,616
Construction-in-progress	<u>6,626,180</u>	\$ 297,751	(\$ 5,814,059)	<u>1,109,872</u>
Total capital assets, not being depreciated	<u>8,442,796</u>	<u>297,751</u>	(<u>5,814,059</u>)	<u>2,926,488</u>
Capital assets being depreciated:				
Buildings	21,325,132	9,958,020		31,283,152
Equipment	10,526,680	40,855	(100,000)	10,467,535
Transportation equipment	<u>32,395,575</u>	<u>14,041,818</u>	(<u>6,065,814</u>)	<u>40,371,579</u>
Total capital assets, being depreciated	<u>64,247,387</u>	<u>24,040,693</u>	(<u>6,165,814</u>)	<u>82,122,266</u>
Less accumulated depreciation:				
Buildings	(4,935,085)	(609,998)		(5,545,083)
Equipment	(9,015,547)	(531,517)	100,000	(9,447,064)
Transportation equipment	(<u>21,840,943</u>)	(<u>3,378,070</u>)	<u>5,943,840</u>	(<u>19,275,173</u>)
Total accumulated depreciation	(<u>35,791,575</u>)	(<u>4,519,585</u>)	<u>6,043,840</u>	(<u>34,267,320</u>)
Total capital assets, being depreciated, net	<u>28,455,812</u>	<u>19,521,108</u>	(<u>121,974</u>)	<u>47,854,946</u>
Capital assets, net	<u>\$ 36,898,608</u>	<u>\$ 19,818,859</u>	(<u>\$ 5,936,033</u>)	<u>\$ 50,781,434</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 5 – Capital Assets (Continued)

A schedule of changes in capital assets for the year ended June 30, 2012 is shown below:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 1,816,616			\$ 1,816,616
Construction-in-progress	<u>235,383</u>	<u>\$ 6,390,797</u>		<u>6,626,180</u>
Total capital assets, not being depreciated	<u>2,051,999</u>	<u>6,390,797</u>		<u>8,442,796</u>
Capital assets being depreciated:				
Buildings	21,337,733		(\$ 12,601)	21,325,132
Equipment	10,711,282	43,758	(228,360)	10,526,680
Transportation equipment	<u>33,244,977</u>	<u>3,120,756</u>	<u>(3,970,158)</u>	<u>32,395,575</u>
Total capital assets, being depreciated	<u>65,293,992</u>	<u>3,164,514</u>	<u>(4,211,119)</u>	<u>64,247,387</u>
Less accumulated depreciation:				
Buildings	(4,335,629)	(610,345)	10,889	(4,935,085)
Equipment	(8,381,833)	(858,236)	224,522	(9,015,547)
Transportation equipment	<u>(22,591,614)</u>	<u>(2,747,418)</u>	<u>3,498,089</u>	<u>(21,840,943)</u>
Total accumulated depreciation	<u>(35,309,076)</u>	<u>(4,215,999)</u>	<u>3,733,500</u>	<u>(35,791,575)</u>
Total capital assets, being depreciated, net	<u>29,984,916</u>	<u>(1,051,485)</u>	<u>(477,619)</u>	<u>28,455,812</u>
Capital assets, net	<u>\$ 32,036,915</u>	<u>\$ 5,339,312</u>	<u>(\$ 477,619)</u>	<u>\$ 36,898,608</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 6 – Compensated Absences

A schedule of changes in compensated absences for the year ended June 30, 2013 is shown below:

	<u>Balance at July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 240,704	\$ 28,996	(\$ 5,058)	\$ 264,642	\$ 264,642

A schedule of changes in compensated absences for the year ended June 30, 2012 is shown below:

	<u>Balance at July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2012</u>	<u>Amount Due Within One Year</u>
Compensated absences	\$ 221,875	\$ 22,447	(\$ 3,618)	\$ 240,704	\$ 240,704

NOTE 7 – Defined Benefit Pension Plan (CalPERS)

Plan Description

AVTA contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing, multiple-employer, public employee defined benefit pension plan. CalPERS provides retirement, disability, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the state of California. CalPERS issues a publicly available financial report that includes financial statements and all required supplementary information for the cost sharing plans that they administered.

Copies of CalPERS' annual financial reports may be obtained by writing to the following address:

CalPERS
400 "P" Street
Sacramento, California 95814.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 7 – Defined Benefit Pension Plan (CalPERS) (Continued)

Contributions and Funding Policy

AVTA contributes 7% of participants' annual covered salary. AVTA is required to contribute at an actuarially determined rate. The rate for the year ended June 30, 2013 is 9.716% of annual covered payroll. The contribution requirements of plan members and AVTA are established and may be amended by the Board of Directors. AVTA's contributions to the plan for the years ending June 30, 2011, 2012, and 2013 were \$278,642, \$337,481, and \$354,549, respectively, and were equal to the required contributions for each year.

NOTE 8 – Risk Management

AVTA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. AVTA protects itself against such losses by a balanced program of risk retention, risk transfers and the purchase of commercial insurance. Loss exposures retained by AVTA are treated as normal expenditures and include any loss contingency not covered by AVTA's purchased insurance policies.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs) and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. AVTA maintains workers' compensation insurance policies covering claims up to \$5,000,000. An excess coverage insurance policy covers individual claims in excess of \$5,000,000. AVTA does not have any liabilities for unpaid claims as of June 30, 2013. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2013 and 2012.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 9 – Commitments and Contingencies

Litigation

AVTA contracts its transportation services. As part of this contract, the contractor operates and maintains all vehicles. The contract provides that the operator indemnify AVTA for all claims and litigation relating to the operation of AVTA vehicles. While AVTA has been named in several matters of litigation, the contract operator is responsible for defense and payment of any unfavorable settlement.

AVTA is subject to various legal proceedings and claims arising in the ordinary course of its business. While the ultimate outcome of these matters is difficult to predict, management believes that the ultimate resolution of these matters will not have a material adverse effect on AVTA’s financial position or activities.

Federal and Local Grants

AVTA receives federal and county funds for specific purposes that are subject to audit by the granting agencies. Although the outcome of any such audits cannot be predicted, it is management’s opinion that these audits would not have a material effect on AVTA’s financial position or changes in financial position.

NOTE 10 – Restricted Net Position for Capital Acquisition

Restricted net position consists of member contributions, which are designated for capital acquisitions. Contributions from each member are as follows:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
County of Los Angeles	\$ 959,862	\$ 959,862
City of Palmdale	1,655,307	1,655,307
City of Lancaster	1,737,723	1,737,723
Interest earned on reserve balances	<u>81,593</u>	<u>70,821</u>
	<u>\$ 4,434,485</u>	<u>\$ 4,423,713</u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 11 – Related Party Transaction

During the year ended June 30, 2013, AVTA received grant funds of approximately \$225,000 from the Antelope Valley Air Quality Management District (AVAQMD). A board member of the AVTA also serves on the board of AVAQMD.

This page left intentionally blank.

STATISTICAL SECTION

The section of the Antelope Valley Transit Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information about AVTA's overall financial health. This information has not been audited by the independent auditors.

FINANCIAL TRENDS 50

These schedules contain trend information to help the reader understand how AVTA's financial performance and well-being has changed over time.

REVENUE CAPACITY 52

These schedules contain information to help the reader assess AVTA's most significant local revenue source, passenger fares.

DEMOGRAPHIC AND ECONOMIC INFORMATION 53

These schedules offer demographic and economic indicators to help the reader understand the environment where AVTA's financial activities occur.

OPERATING INFORMATION 55

These schedules contain service and infrastructure data to help the reader understand how the information in AVTA's financial report relates to the services that AVTA provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Audited Financial Statements and Comprehensive Annual Financial Reports for the relevant years.

FINANCIAL TRENDS

NET POSITION BY COMPONENT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Capital assets, net of accumulated depreciation	\$ 40,992,483	\$ 38,554,418	\$ 39,473,946	\$ 36,336,059	\$ 32,301,630	\$ 32,618,573	\$ 35,942,481	\$ 32,036,915	\$ 36,898,608	\$ 50,781,434
Restricted assets	1,112,131	-	-	-	-	-	-	3,891,996	4,423,713	4,434,485
Unrestricted assets	1,979,144	4,661,040	555,856	3,021,418	6,748,076	8,533,977	9,148,799	4,441,201	7,313,190	11,623,461
NET POSITION	\$ 44,083,758	\$ 43,215,458	\$ 40,029,802	\$ 39,357,477	\$ 39,049,706	\$ 41,152,550	\$ 45,091,280	\$ 40,370,112	\$ 48,635,511	\$ 66,839,380

Source: Finance Department

FINANCIAL TRENDS

CHANGES IN NET POSITION

	2004	2005	2006	2007	2008	2009	2010	2011 ^(a)	2012	2013
Operating revenue:										
Passenger Fares	\$ 3,136,458	\$ 3,374,022	\$ 3,611,547	\$ 3,856,511	\$ 4,497,172	\$ 4,582,997	\$ 3,746,050	\$ 4,283,321	\$ 4,686,665	\$ 4,832,800
Total Operating revenue	3,136,458	3,374,022	3,611,547	3,856,511	4,497,172	4,582,997	3,746,050	4,283,321	4,686,665	4,832,800
Operating expenses:										
Purchased transportation services	7,597,457	8,578,342	8,933,222	8,205,242	9,182,994	9,555,408	9,733,907	8,802,872	10,457,322	12,318,390
Fuel	1,343,568	1,470,709	2,106,076	2,078,110	2,749,088	2,258,192	1,939,320	2,792,580	3,081,667	2,819,513
Other operating costs	629,345	1,059,287	555,730	320,936	421,709	948,357	1,634,413	1,639,043	1,363,069	824,123
General administrative	1,316,833	1,275,093	973,766	2,921,594	2,530,745	2,975,892	2,960,149	6,311,030	5,215,431	4,062,048
Depreciation	1,660,623	2,978,022	2,802,408	4,308,446	6,240,007	4,934,184	5,318,582	4,437,374	4,215,999	4,519,585
Total operating expenses	12,547,826	15,361,453	15,371,202	17,834,328	21,124,543	20,672,033	21,586,371	23,982,899	24,333,488	24,543,659
Operating income (loss)	(9,411,368)	(11,987,431)	(11,759,655)	(13,977,817)	(16,627,371)	(16,089,036)	(17,840,321)	(19,699,578)	(19,646,823)	(19,710,859)
Non-operating revenues (expenses)										
Interest income	52,585	29,166	4,004	17,003	28,586	15,661	25,093	189,101	18,089	12,421
Local Operating Grants	4,690,824	3,480,128	2,970,783	5,340,626	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,653,042
Federal operating grants	21,280,244	4,715,489	1,752,007	3,345,481	5,432,502	9,309,233	11,066,332	3,656,922	7,181,627	8,358,434
Member agency contributions	2,036,600	2,493,979	3,454,263	3,784,304	3,820,307	3,145,691	3,145,691	3,251,193	3,286,384	3,524,379
Other non-operating revenues/(expenses)	696,331	44,066	60,172	301,380	(67,736)	37,639	(230,922)	(228,896)	(510,702)	(77,771)
Total non operating revenues	28,756,584	10,762,828	8,241,229	12,788,794	15,646,356	17,817,052	19,800,369	14,366,135	18,847,842	21,470,505
Capital Contributions										
Capital Grants	693,000	0	0	0	957,640	797,250	801,621	755,440	8,603,484	16,444,223
Member contributions	1,362,241	704,305	473,899	349,705	460,893	460,896	460,896	460,896	460,896	0
Total capital contributions	2,055,241	704,305	473,899	349,705	1,418,533	1,258,146	1,262,517	1,216,336	9,064,380	16,444,223
Change in net position	21,400,457	(520,298)	(3,044,527)	(839,318)	437,518	2,986,162	3,222,565	(4,117,107)	8,265,399	18,203,869
Net position, beginning of year	22,683,301	43,735,756	43,074,329	40,196,795	38,612,188	38,166,388	41,868,715	44,487,219	40,370,112	48,635,511
Net position, end of year	\$44,083,758	\$43,215,458	\$40,029,802	\$39,357,477	\$39,049,706	\$41,152,550	\$45,091,280	\$40,370,112	\$48,635,511	\$66,839,380

Note (a)

In the Notes to Financial Statements for the Year Ended June 30, 2011, *Note 11 - Restatement of Beginning Net Assets*, states: AVTA noted errors in its accounting records related to revenue recognition and the calculation of depreciation expense.

Revenue recognition - In prior fiscal years, AVTA recognized advance funding from granting agencies as revenue before it was earned. Grant revenues are earned when an eligible expense has been incurred; AVTA did not incur eligible expenses. Appropriate entries and beginning net assets were adjusted to correct those errors.

Depreciation Expense - In prior fiscal years, AVTA calculated a full year of depreciation of capital assets regardless of when the assets were placed in service. Depreciation should be charged on a pro-rata basis based on when the asset is placed in service. Appropriate entries and beginning net assets were adjusted to correct this error.

Source: Finance Department

REVENUE CAPACITY

REVENUE SOURCES

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passenger Fares	\$	\$ 3,136,458	\$ 3,374,022	\$ 3,611,547	\$ 3,856,511	\$ 4,497,172	\$ 4,582,997	\$ 3,746,050	\$ 4,283,321	\$ 4,686,665	\$ 4,832,800
	% of total	9.3%	22.8%	29.4%	22.6%	21.0%	19.5%	15.3%	21.1%	14.1%	11.1%
Local Operating Grants	\$	4,690,824	3,480,128	2,970,783	5,340,626	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,653,042
	% of total	13.8%	23.4%	24.1%	31.4%	29.8%	22.4%	23.4%	37.0%	26.9%	22.4%
Federal Grants	\$	\$ 21,973,244	\$ 4,715,489	\$ 1,752,007	\$ 3,345,481	\$ 6,390,142	\$ 10,106,483	\$ 11,867,953	4,412,362	15,785,111	24,802,657
	% of total	64.7%	31.8%	14.2%	19.7%	29.6%	42.7%	47.8%	21.8%	47.8%	57.5%
Operating Contributions	\$	2,036,600	2,493,979	3,454,263	3,784,304	3,820,307	3,145,691	3,145,691	3,251,193	3,286,384	3,524,379
	% of total	6.0%	16.8%	28.0%	22.3%	17.7%	13.3%	12.7%	16.0%	10.0%	8.2%
Capital Contributions	\$	\$ 1,362,241	\$ 704,305	\$ 473,899	\$ 349,705	\$ 460,893	\$ 460,896	\$ 460,896	\$ 460,896	\$ 460,896	\$ -
	% of total	4.0%	4.7%	3.8%	2.1%	2.1%	1.9%	1.9%	2.3%	1.4%	0.0%
Other	\$	748,916	73,232	64,176	318,383	(39,150)	53,300	(205,829)	355,293	(72,800)	332,331
	% of total	2.2%	0.5%	0.5%	1.9%	-0.2%	0.2%	-0.8%	1.8%	-0.2%	0.8%
Total	\$	\$ 33,948,283	\$ 14,841,155	\$ 12,326,675	\$ 16,995,010	\$ 21,562,061	\$ 23,658,195	\$ 24,808,936	\$ 20,260,880	\$ 33,018,700	\$ 43,145,209
	% of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Finance Department

DEMOGRAPHIC AND ECONOMIC INFORMATION

DEMOGRAPHIC AND STATISTICAL INFORMATION OF THE ANTELOPE VALLEY

Consumer Price Index ⁽¹⁾		
1982 - 1984 = 100	Index*	Change
2003	184.00	2.3%
2004	188.90	2.7%
2005	195.30	3.4%
2006	201.60	3.2%
2007	207.30	2.8%
2008	215.30	3.9%
2009	214.50	-0.4%
2010	218.10	1.7%
2011	224.90	3.1%
2012	229.60	2.1%

Comparative Household Income ⁽³⁾		
	2012	2013
United States	\$67,315	\$69,637
California	\$79,547	\$83,188
Santa Clarita	\$99,392	\$99,124
Los Angeles	\$69,399	\$74,235
Palmdale	\$67,659	\$68,837
Ridgecrest	\$63,556	\$66,423
Lancaster	\$61,677	\$63,100
Rosamond	\$59,212	\$59,732
Tehachapi	\$52,177	\$57,311
California City	\$58,513	\$55,823

Comparative Cost of Living Index ⁽⁴⁾		
US Index = 100	2012	2013
New York	220.3%	229.5%
San Francisco	170.9%	168.3%
San Diego	135.0%	134.4%
Los Angeles/Long Beach	148.1%	131.3%
Palm Springs	127.6%	121.6%
Riverside	119.3%	113.7%
Fresno	120.5%	105.2%
Bakersfield	103.7%	99.5%
Las Vegas	106.3%	98.3%
Antelope Valley	104.4%	92.7%

Comparative Populations ⁽²⁾		
	2012	2013
Las Vegas	566,881	585,440
Tucson	522,446	527,018
Antelope Valley	507,220	513,547
Atlanta	422,343	443,261
Miami	406,322	418,387
St. Louis	316,625	316,452
Cincinnati	291,994	294,894
Reno	211,999	226,638

Antelope Valley Population by Race - 2012 ⁽³⁾	
Caucasian	55.5%
Black/African American	13.8%
American Indian/Alaska Native	1.0%
Asian	3.7%
Native Hawaiian/Pacific Islander	0.2%
Other Races	20.5%
Two or More Races	5.2%

Sources:

(1) Source: Bureau of Labor Statistics

(2) US Census Data

(3) Greater Antelope Valley Economic Alliance (GAVEA)

(4) ACCRA Cost of Living Index (www.aveconomy.org/index).

DEMOGRAPHIC AND ECONOMIC INFORMATION

PRINCIPAL EMPLOYERS IN THE ANTELOPE VALLEY

2011		2008	
Employer	# Employees	Employer	# Employees
Edwards Air Force Base	10,808	Edwards Air Force Base	12,800
China Lake Naval Weapons	9,172	China Lake Naval Weapons	6,580
County of Los Angeles	3,953	Lockheed Martin	3,700
Lockheed Martin	3,000	County of Los Angeles	3,546
Palmdale School District	2,682	Antelope Valley Hospital	2,370
Antelope Valley Hospital	2,619	AV Union High School District	2,232
Northrop Grumman	2,573	Northrop Grumman	2,100
AV Union High School District	2,037	Wal-Mart (5 Stores)	2,070
Wal-Mart (5 Stores)	1,922	Tehachapi State Prison	1,963
Tehachapi State Prison	1,915	Antelope Valley Mall	1,800

Source: Greater Antelope Valley Economic Alliance (GAVEA)

OPERATING INFORMATION

RIDERSHIP BY MODE

	Local Transit ⁽¹⁾	Commuter Service ⁽¹⁾	TRANSporter ⁽²⁾	Demand Response ⁽³⁾	Total
2004	2,404,453	277,451			2,681,904
2005	2,380,334	288,476			2,668,810
2006	2,681,046	312,740			2,993,786
2007	2,707,319	300,697		34,766	3,042,782
2008	2,704,795	317,564		34,261	3,056,620
2009	2,373,980	288,195		33,465	2,695,640
2010	2,594,002	202,105		31,066	2,827,173
2011	2,626,835	236,856		32,174	2,895,865
2012	2,979,464	267,759		36,216	3,283,439
2013	3,204,698	288,541	33,198	26,979	3,553,416

Sources:

(1) Greater Antelope Valley Economic Association

Note: TRANSporter and Demand Response Statistics provided by AVTA Operations & Maintenance Department.

(2) TRANSporter service inaugurated August 2012.

(3) Demand Response ridership figures not available prior to 2007.

OPERATING INFORMATION

SERVICE: FIXED ROUTE STATISTICS

	Passenger Fares (\$)	Service Consumption		Service Supplied		
		Annual Passenger Miles	Annual Unlinked Trips	Annual Revenue Miles	Annual Vehicle Revenue Hours	Buses in Maximum Service
2004	\$3,136,458	38,236,671	2,736,765	2,875,126	154,208	60
2005	3,374,022	35,275,957	2,727,838	3,069,613	165,848	68
2006	3,611,547	40,421,991	3,124,823	3,226,349	178,676	61
2007	3,856,511	37,682,701	3,042,782	2,789,445	161,953	68
2008	4,497,172	39,461,824	3,016,959	2,502,659	148,363	57
2009	4,582,997	39,824,414	3,028,623	2,571,728	153,852	57
2010	3,746,050	38,754,043	2,796,107	2,970,430	181,296	68
2011	4,283,321	39,559,725	2,854,237	3,075,106	190,022	68
2012	4,686,665	39,922,663	2,880,423	3,010,030	181,497	71
2013	4,832,800	48,416,293	3,493,239	2,992,523	174,231	71

Source: AVTA Operations & Maintenance

OPERATING INFORMATION

SERVICE: DEMAND RESPONSE STATISTICS

	Service Efficiency		Cost Effectiveness		Service Effectiveness	
	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour	Operating Expense per Passenger Mile	Passengers per Revenue Hour	Passengers per Revenue Mile	Passengers Revenue Per Revenue Hour
2007	\$4.67	\$76.08	\$4.67	2.10	0.13	4.25
2008	\$9.45	\$149.10	\$9.45	2.00	0.13	3.64
2009	\$7.13	\$133.37	\$7.13	2.10	0.11	6.67
2010	\$7.00	\$130.49	\$7.00	2.00	0.11	6.60
2011	\$8.12	\$154.06	\$8.12	2.00	0.10	5.44
2012	\$7.10	\$185.66	\$7.10	3.70	0.14	10.00
2013	\$5.02	\$150.66	\$5.02	3.70	0.12	10.40

Source: AVTA Operations & Maintenance

OPERATING INFORMATION

AVTA EMPLOYEE HEADCOUNTS

	2008	2009	2010	2011	2012 ⁽¹⁾	2013
Full Time	25	26	68	68	31	31
Part Time	3	1	5	7	8	8
Total	28	27	73	75	39	39

(1) Fleet Maintenance staff was out-sourced in January 2012

Source: Finance Department

OPERATING INFORMATION

REVENUE FLEET BY MODE OF SERVICE

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Local Transit	43	46	46	46	46	46	46	44	43	43
Commuter	25	25	25	25	31	31	31	25	25	28
Dial-a-Ride	14	14	14	18	23	26	14	14	1	0
Total	82	85	85	89	100	103	91	83	69	71

Notes

Dial-A-Ride Service was out-sourced as of January 2012. In subsequent years, the DAR fleet was transferred or sold.

Source: AVTA Finance Department