ANTELOPE VALLEY TRANSIT AUTHORITY

LANCASTER, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

PREPARED BY THE AVTA FINANCE DEPARTMENT

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November 28, 2017

Honorable Chair and
Members of the Board of Directors:

California Government Code sections 25250 and 25253 require that every general-purpose local government publish a complete set of audited financial statements within six months of the close of each Fiscal Year. This report for the Antelope Valley Transit Authority (Authority or AVTA) is published in fulfillment of that requirement for the Fiscal Year which ended June 30, 2017.

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 comprehensive internal control policies 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 (GAAP). Because the cost of internal controls should not exceed anticipated benefits, AVTA's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. The Antelope Valley Transit Authority uses the accrual basis of accounting, and is treated as a single enterprise fund.

Windes Inc., 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 AVTA for the Fiscal Year ended June 30, 2017 are free from 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. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that AVTA's financial statements for the Fiscal Year ending June 30, 2017, 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 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 internal control and compliance requirements, and was free of any adverse findings. These reports are available in AVTA's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Antelope Valley Transit Authority's MD&A can be found immediately following the report of the independent auditors in the Financial Section of the report.

Profile of the Antelope Valley Transit Authority

The Antelope Valley Transit Authority (AVTA) is located in the Antelope Valley of Southern California, approximately 70 miles northeast of Los Angeles. Its principal office and facility for its active fleet of 75 buses is in the City of Lancaster. AVTA was formed to provide and administer public transportation services for the citizens of Lancaster, Palmdale and the unincorporated sections of the County of Los Angeles located within the Antelope Valley area. The Greater Antelope Valley area encompasses over 3,000 square miles and includes both Northern Los Angeles County and southeastern 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 14 local fixed routes. In Fiscal Year 2017, the farebox recovery ratio was 15.5% for local transit fixed route service. AVTA served 2.3 million local transit passengers, a decrease of 17.0% from Fiscal Year 2016.

Commuter – AVTA provides commuter service from the Antelope Valley to downtown Los Angeles, West Los Angeles/Century City and the San Fernando Valley. During Fiscal Year 2017, the farebox recovery ratio for commuter services was 54.4%. AVTA provided services to approximately 251,000 riders, a decrease of 3.40% from Fiscal Year 2016.

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 approximately 30,000 riders during Fiscal Year 2017, a decrease of 13.2% from Fiscal Year 2016.

Dial-A-Ride – Supplemental demand response service is provided by AVTA to Antelope Valley Residents. The service was provided by IntelliRide, a division of Transdev Corporation. In Fiscal Year 2017, the farebox recovery ratio was 5.4%, an increase of 5.9% from Fiscal Year 2016. The contract calls for a maximum of 33,000 trips for each calendar year; the introduction of pooling in Fiscal Year 2016 resulted in approximately 42,000 rides that took place for Fiscal Year 2017, an increase of 0.3% in ridership over Fiscal Year 2016.

Service Changes – The AVTA Operations staff continuously analyzes routes to address issues of passenger loading, frequency, on-time performance, local detours and other factors in an attempt maximize service. Standardized service changes are developed and presented to the Board of Directors for their review and approval approximately every six months, or at the discretion of management.

Reporting Entity

The Antelope Valley Transit Authority (Authority or 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 operating and capital 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 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.

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.

Economic Outlook

State and Regional Economy

AVTA used the information presented in the 2016-2017 Economic Forecast and Industry Outlook Report, prepared by the Kyser Center for Economic Research of the Los Angeles County Economic Development Corporation (LAEDC). The Forecast is a widely recognized source for economic information and analysis, ranging from the worldview to the regional economy of Los Angeles County.

California's diverse economy hosts global leadership in innovative industries, including information technology, aerospace, entertainment and biosciences, agriculture and tourism.

The California State economy is doing well. It continues to outpace the nation in economic growth, accounting for 13.6% of the U.S. Gross Domestic Product, more than any other state. The state's economy is expected to expand by 2.4% in 2017 and 2.6% in 2018, outpacing the nation yet again.

Unemployment averaged 5.4% in 2016, and is expected to decline more slowly over the next two years, reaching 5.0% in 2018 as full employment levels are reached. Total real personal income also showed gains of 3.1%. In keeping with the general employment projections, there will be additional gains of 3.0% for 2017 and 3.6% for 2018.

Most regions of California have regained all of the employment lost during the recession, or are close to doing so. The next step is to expand the benefits of the state's economic growth to more of its population. To accomplish this, more skilled workers, increased college enrollment and completion rates, upgraded infrastructure, and the continued management of the state's precious water resources and finances are all needed.

Nearly all major industry sectors added jobs during 2016. The largest gains were high technology, an increase of 3.5%, or 72,800 new jobs. The greatest rise was in technology-providing industries rather than manufacturing. The value of agriculture's real gross product rose 2.1% in 2016, and accounted for 1.2% of the state's $2.6 trillion gross product, while the number of farm workers rose 1.1 % over 2015; this occurred even while 2015 saw a reduction of California's irrigated cropland. Health care and social assistance is the largest and fastest growing sector, and accounts for 13% of the non-farm wages in the state; 2016 saw an increase of 71,000 jobs, an annual growth rate of 3.4%, with signs of slowing growth to 3% in 2017 and 2.5% in 2018. Leisure and hospitality is showing strong but slowing growth rates in tourist visits, declining from 4.8% in 2015 to 2.2% in 2016, with further slowing projected through 2018; tourist expenditures increased 3.6% from 2015 to 2016. After years of post-recession sluggishness, construction showed an aggregate increase of 1.6% in building of hotel/motel, retail and office space, while new industrial and public works constructions declined. New residential construction rose by 1.5% in 2016, but is still at historically low levels; construction jobs increased by 5%, only partially offsetting previous losses.

California continues to deal with several pervasive problems. The unfunded liability of state retiree health costs has been addressed but will take decades to cure. The shortage of affordable housing common to large metro areas is becoming more and more acute, especially in areas experiencing the fastest growth in jobs. With respect to AVTA, the state's approach to fund critical infrastructure and maintenance has been only partially addressed by new taxes on fuels which became effective July 1, 2017.

The Los Angeles County Economy

With over 10 million residents and a workforce of 4.8 million in 88 cities spread across 4,100 square miles, Los Angeles County has one of the largest manufacturing centers in the United States. It is a global presence for trade and tourism, and includes the largest port complex in the Western Hemisphere, as well as the largest number of manufacturing jobs of any county in the country. Other major industries include health care, education and knowledge creation and business services.

In 2016, the real Gross Domestic Product for Los Angeles County grew at 2.2%, a slowing from 2015 when the economy grew at 3.6%. Even so, the rate of growth was faster than the national rate. Real GDP is projected to be 2.7% for each of the next two years, which will continue to outpace the nation.

In 2016, the average unemployment rate in the country was 5.1%, the lowest rate since 2007, and less than half the rate's peak of 12.5% in 2010. The unemployment rate is expected to drop to 4.9% over 2017-2018 as the county reaches full employment.

The county added 51,400 jobs in 2016, an increase of 2.1%. This growth is expected to be 1.5% per year for 2017-2018 as the labor supply tightens. The rate of change will fall, with 44,400 and 48,600 for 2017 and 2018, respectively.

Nearly all of the major industries added jobs last year. The sectors expected to add the largest number of jobs are health care and social assistance with 39,400, administrative and support jobs with 22,800 jobs, leisure and hospitality with 18,900 jobs, and retail trade with 11,700 jobs. Manufacturing and natural resources (gas & oil) will follow the declining state trend, but at statistically smaller levels.

Total personal income increased by 4.5% in 2015, and is expected to maintain its trajectory this year with anticipated gains of 4.4%, followed by a gain of 5.3% in 2017. Now that the economy is approaching full employment, upward pressure on wages is and a strong dollar will likely lead to moderate gains in household purchasing power this year, curtailed somewhat by slow upward inflationary pressure. Per capita income growth rose 2.6% in 2016, and projected to grow another 5.6% for 2017-18. The increases in disposable income should result in continued additional local sales and use tax revenues, continuing to help local government agencies to a sounder financial footing.

Population growth is expected to continue its slowing trend slightly through 2018; 2016 grew at a 0.7% increase, while 2017-18 are both showing increases of 0.6%. Even at such low growth rates, the county population is projected to increase by 60,000 residents in 2017 and 70,000 for 2018. The county's continued high cost of living and lack of affordable housing units for low and middle-income households are causing negative effects on the population growth.

Since peaking in 2004, new home construction in Los Angeles County steadily declined to a low of 5,700 units in 2009. 2016 saw a 10.8% decrease to 20,200 permits issued, indicative of a gradually paced recovery. One notable change has been the increase in the ratio of multi-family residences relative to single-family homes. In 2005, 46% of all permits issues were for single family homes; in 2016, the ratio has declined to 23%. The median sales price for a home was $519,300. Since bottoming out in 2011, median home prices have increased 64% through 2016, ending up just 2.4% below the former peak of $532,281 in 2007.

The Greater Antelope Valley Economy

The 2017 Economic Round Table Report prepared by 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 Locale

The Antelope Valley is approximately 60 miles north of the Los Angeles Metropolitan Area. It is geographically located near the border of Los Angeles County and Kern County. State Route 14, also known as the Antelope Valley Freeway, is a modern freeway that climbs to a net elevation of 2,500 feet, where the Antelope Valley begins. State Highway 138 links the Antelope Valley to the Inland Empire to the east and California's Central Valley to the west, providing an ideal location for businesses seeking access to both Southern and Central California. The region consists of six political entities, the cities of Lancaster, Palmdale, Tehachapi, California City and Ridgecrest, and the unincorporated areas of the County of Los Angeles. The area is served by Los Angeles County's Metrolink train service, local transit and commuter services and a number of private transportation companies.

Economically, the 'Great Recession' that started in 2008 occurred locally as a result of the decline in defense spending and the associated contraction of the aerospace industry. Even more profound were the effects of the subprime mortgage crisis as the foreclosure wave hit and home prices collapsed, reaching a low point in 2011. Related tax revenue on housing sales in particular and other sales tax revenue in general both decreased.

After lagging behind the rest of Los Angeles County, the Antelope Valley continues to experience a similar recovery that the state of California is experiencing; through 2015, 2016 and 2017, the state continues to enjoy some of the fastest growth in the entire country. Home prices have been recovering as well, showing an average increase of 9% through 2016; the Antelope Valley is one of the few places in the region where the median income is sufficient for home ownership, due to the wide range of home prices, although this may diminish as the acute shortage of housing in the rest of Los Angeles County continues. Unemployment has dropped 3% over the past three years, labor participation has become steady, household income has started rising, and the area population is following suit in all respects.

The aerospace industry is continuing its comeback too; its rich history supports cutting edge development. Palmdale's Northrop Grumman has the contract to build the B-21, the US Air Force's next generation version of the B-2 Spirit Stealth Bomber. Ongoing projects to redesign major weapons and flight systems are being conducted by NASA, the Unites States Air Force, and the United States Navy.

Local leaders and educators have recognized that the success of aerospace and the Antelope Valley partly hinges on ensuring that a sufficiency of young workers in the area have the necessary skills to answer the burgeoning need for qualified workers. A broad educational push was started to encourage students to enter Science, Technology, Engineering and Math (STEM). Programs have started with local high schools and charter schools that connect directly to perspective local business and government employers.

In this regard, it is noteworthy to mention the passage of a local bond measure that will raise $350 million for Antelope Valley College (AVC), a community college that has expanded some of its programs to offer full four-year undergraduate degrees. The proceeds will fund a construction to replace nine aging campus buildings and create a funding reserve to cover the cost of maintenance for the new buildings. The end result will allow AVC to upgrade its facilities and expand its course offerings, joining other institutions in the Antelope Valley in answering the needs of the STEM-related hi-tech arenas.

The average income for a household in the Antelope Valley at 3rd quarter 2016 was $72,206, about 9% lower the California State average of $78,731. This change reflects a narrowing of that income gap, which was as high as 20% in previous years. 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 in southern Kern County.

The Antelope Valley continues to benefit from the ongoing surge in renewable energy; the City of Lancaster sells power to its citizens with its Lancaster Choice Energy program as an alternative choice to Southern California Edison. New construction routinely includes solar energy generation, water reclamation systems and xeriscape as ways to conserve resources.

The Antelope Valley Transit Authority continues to show its prominence in transportation in Southern California. It has orders for 49 buses from electric bus manufacturer BYD that are expected to arrive during Fiscal Year 2018, with the balance to come upon the availability of additional funding. The orders are for three different styles; local transit buses were ordered in 40' transit and 60' articulated transit configurations; the ranges for these units will be extended *en-route* by employing inductive charging at key points around AVTA's service area. Also ordered are 45' commuter coaches with the capability to do a round trip from Lancaster to Downtown Los Angeles and back without recharging.

Measure M, the Los Angeles County Traffic Improvement Plan, was passed by Los Angeles County voters in November 2016. It is expected to bring in $860 million a year during its 40-year life. It was created to improve traffic flow and safety; provide fare assistance for seniors, disabled and students; expand rail, subway and bus systems; improve connections with jobs, schools and transportation hubs; and create new jobs. Voters approved a ½¢ traffic relief tax which continues until voters decide to discontinue it.

Population Growth

GAVEA's Population forecast is projecting that the Antelope Valley population will grow approximately 4% in the next 5 years and by 36.7% between 2021 and 2035, as shown in the table below.

Figure 1 – Antelope Valley Population Forecast

Cities	2016	2017	2021	2035
Lancaster	197,205	201,921	184,422	201,310
Palmdale	185,068	189,729	193,883	206,143
Greater California City	14,484	14,694	16,169	39,641
Greater Ridgecrest	33,473	33,866	35,610	41,737
Rosamond/Edwards/Mojave	28,949	29,337	35,345	40,245
Tehachapi	36,682	37,776	37,679	57,632
Unincorporated LA County/Kern County	34,703	35,480	52,188	172,173
Total Antelope Valley	**530,564**	**542,803**	**555,296**	**758,881**

Funding

From July 2012 to December 2014, public transit's primary funding program had been MAP-21 (Moving Ahead for Progress in the 21st Century), a two-year funding authorization bill that funded $10.5 billion in transportation programs for federal Fiscal Years 2013 and 2014. AVTA received the majority of its federal funding from MAP-21 via the Federal Transit Administration's Section 5307 Urbanized Area Formula Grants Program, plus a variety of state and local sources.

Through 2015, Congress had not passed an infrastructure measure that lasted longer than two years since 2005 due to a chronic shortfall in funding, estimated at $16 billion annually. There was some concern about the relatively short funding life of MAP-21nce the two-year program formally ended in September 2014. The surface transportation funding authorizations and policies of MAP-21 have been extended numerous times; the latest extension ended December 2015.

FAST Act

On December 4, 2015, President Obama signed the Fixing America's Surface Transportation Act (FAST). FAST reauthorized surface transportation programs through federal Fiscal Year 2020.

Funding started at $11.9 billion for federal Fiscal Year 2016 and increases annually to $12.6 billion in 2020, a total of $61.1 billion over 5 years. Of particular interest to AVTA are:

- FTA 5307 Urbanized Area Formula Grants, a five-year total of $23.7 billion
- 5337 State of Good Repair, a five-year total of $13.0 billion
- 5339 Bus and Bus Facilities, a five-year total of $3.7 billion.

Procurement – Definitions are expanded to foster and encourage cooperative purchasing among partners. Resources may be 'outside' of traditional transit agency definitions, including both conventional and non-profit entities.

Buy America – Under FAST, the domestic percentage content is increases from 60% to 70% by 2020.
State of Good Repair – Helping transit agencies maintain bus and rail systems is a top priority of the FTA; spending under 5337 was increased from $2.1 billion to $2.5 billion annually.

Federal Funding Programs

Section 5307 Formula Funds - The FTA Urbanized Area Formula Grants Program (Section 5307) allocates federal grants based on an urbanized area formula to fund transit capital (including preventive maintenance) and operating support. Depending on the size of the urbanized area, eligible uses for Section 5307 funds may include the engineering design, evaluation and planning of transit projects and other technical studies related to transportation; capital investments for bus and bus-related activities; the construction and maintenance of transit facilities; and capital investments in fixed guideway systems.

For large urbanized areas with populations greater than 200,000, funding is allocated by the FTA regional office and can typically only be used for transit capital projects. The federal share of any transit capital project typically may not exceed 80 percent of the net cost of the project, with the exception of funds applied to vehicle related equipment purchased to be in compliance with the Americans with Disabilities Act (ADA) and the Clean Air Act (CAA), which may not exceed 90 percent of the net project cost. In recent years, FTA has set the sharing ratio for bus purchases at 85%.

AVTA falls into the Large Urbanized Area (UZA) category. The majority of AVTA's 5307 funds are restricted to capital and preventive maintenance expenditures; however, AVTA was "grandfathered in" when SAFETEA-LU was adopted and is allowed to use up to 50% of its federal 5307 funds for operating support purposes. AVTA has included this amount in recent budgets to help close the operating loss gap common to public transit. Under previous funding MAP-21, the bill allows large UZAs with fewer than 100 buses to use up to 75% of their annual allocation for operating expenses, as long as the expense is matched 50% with state or local funds; this was continued under the FAST Act.

A provision has been added under the FAST Act that directs recipients to maintain equipment and facilities in accordance with their transit asset management plan. A portion of the Fiscal Year 2018 Capital Spending Plan has set aside funds for both Maintenance Tracking and Transit Asset Management Plans to comply with the FAST requirements.

Urbanized versus Rural Programs - AVTA currently provides four distinct services to Antelope Valley residents: (1) fixed-route service within the Palmdale/Lancaster urban core; (2) inter-community fixed route service linking the urban core with the rural communities of Lake Los Angeles, Sun Village, Pearblossom and Littlerock; (3) demand-responsive (dial-a-ride) service both inside and outside of the urban service boundary; and (4) commuter service from the urban core to Los Angeles, San Fernando, West Los Angeles and Newhall via SR-14. AVTA's urban and rural transit services are consolidated under one program. Based on the current structure, the agency receives allocation dollars from the FTA Section 5307 (Urbanized Area Formula) program, intended for use in urbanized zones.

FTA Section 5337 State of Good Repair **-** Section 5337, a formula-based program, is FTA's first stand-alone initiative written into law that is dedicated to repairing and upgrading the nation's rail transit systems and high-intensity motor bus systems using high-occupancy vehicle lanes, including bus rapid transit (BRT) systems. These funds reflect a commitment to ensuring that public transit operates safely, efficiently, reliably, and sustainably so communities can offer balanced transportation choices that help to improve mobility, reduce congestion, and encourage economic development.

Section 5339 Bus & Bus Facilities – Section 5339 provides capital funding to replace, rehabilitate and purchase buses and related equipment, and to construct bus-related facilities.

Under the FAST Act, two discretionary components were added to the 5339 program:

- A bus and bus facilities competitive program based on asset age and condition, and a low- or no-emissions bus deployment program. A solicitation of proposals for competitive funding including requirements and procedures will be published in an annual Notice of Funding Availability (NOFA) as soon as possible.
- A new pilot provision allows designated recipients in in urbanized areas between 200,000 and 999,999 in population to participate in voluntary state pools to allow transfers of formula funds between designated recipients from fiscal year 2016 through fiscal year 2020.

During Fiscal Year 2017, funds for both Section 5337 and 5339 were “swapped” (traded) dollar for dollar for more flexible Section 5307 Formula Funds, based on the approval of LA Metro.

FTA Section 5310 – Transportation for Elderly Persons and Persons with Disabilities
This program provides formula funding to states for the purpose of assisting private nonprofit groups in meeting the transportation needs of the elderly and persons with disabilities when the transportation is unavailable, insufficient, or inappropriate for meeting these needs. Funds are apportioned based on each state’s share of population for these groups so identified.

AVTA may receive funds in the future to serve the elderly and those with disabilities in the unincorporated areas of the Antelope Valley service area.

New under the FAST Act:
A state or local governmental entity that operates a public transportation service and that is eligible to receive direct grants under 5311 or 5307 is now an eligible direct recipient for Section 5310 funds.

AVTA routinely applies for a variety of additional funding through the Federal government including Transportation Investment Generating Economic Investment (TIGER) Grants, New Ladders of Opportunities Grants, and Low- and No-Emissions Grants (LoNo).

The State of California has also provided transportation funding opportunities; AVTA applies for relevant programs as details and requirements are published. In June 2015, AVTA was notified of an award for $24.4 million grant from the California State Transportation Agency (CalSTA) for its Transit and Intercity Rail Capital Program (TICRP). With AVTA’s matching funds of $14.9 million, the $39.3 million will be spent on the Authority’s proposed Regional Transit Interconnectivity & Environmental Sustainability Project, which will exchange diesel transit buses for 29 electric buses. Thirteen of these buses will be newly developed electric 60’ articulated models that will carry more passengers and increase the frequencies for AVTA’s busiest routes. The 16 remaining buses will be electric commuter models for the Authority’s service to the LA Basin; the charging technology in these units will allow them to complete their 150-mile round trip routes on one charge.

In August 2016, CalSTA awarded AVTA $6.9 million in the second award of TIRCP Funds; with matching funds, the $9.1 million project will add 10 additional 40’ electric local transit buses and 10 additional electric commuter vehicles to provide electric vehicles for on-peak commuter pools and off-peak, on-demand vehicles to the public.

As AVTA prepares its budgets in the coming years, the prevailing economic conditions will be factored into the process. New funding sources and cost savings are a constant consideration while striving to maintain exceptional transit services in the most efficient and effective manner.

Major Initiatives in 2017-2018

2017 Annual Budget Process

Beginning in December 2016, AVTA management developed its Staffing, Operating, Capital and Short Range Transit Plans, which together comprised the Fiscal Year 2017 Business Plan. The Plan emphasized the Authority's commitment to new transit projects and improved services for its ridership. The final Business Plan was presented to the Board of Directors for their review and adoption during the May 2017 Board Meeting.

Strategic Planning

The Fiscal Year 2017 Business Plan focused on goals by operating department, including Executive Services, Operations and Maintenance, Finance and Customer Service. Functional accomplishments for fiscal year 2017 and goals for Fiscal Year 2018 are shown below.

Fiscal Year 2017 Accomplishments

Executive Services

- Continued AVTA's primary strategic goal, the electrification of its bus fleet.
- Continued the principal strategy of acquiring funding through aggressive state and federal advocacy efforts.
- Concluded the architectural and engineering planning and began construction of the charging infrastructure necessary to keep pace with the acquisition of battery electric buses.
- Operationalized the inductive charging capabilities at Steve Owens Memorial Park in Lancaster and Palmdale Transportation Center. The formal ribbon cutting at OMP was the last requirement for a grant award from the Antelope Valley Air Quality Management District.
- Started developing a formal Marketing Plan; orchestrated successful media exposure associated with the Electric Bus Fleet Conversion.
- Conducted a successful Community Outreach Plan, including increased usage of social media.
- AVTA was:
    - named "Small Operator of the Year" by the California Transit Association;
    - named "Business of the Year" by the Lancaster Chamber of Commerce; and
    - given the "Air Quality Award in Recognition for Leadership in Government" by the California Clean Air Coalition

Operations & Maintenance

- Completed construction of WAVE Inductive Charging at Steve Owens Memorial Park and Palmdale Transportation Center

- Completed Phase 1 of the Depot Charging Project at AVTA's Headquarters; charging operations will commence sometime in the first quarter of Fiscal Year 2018.
- Consulted closely with BYD regarding the equipment, standards and Altoona testing issues with respect to the 60' Articulated Bus and the 45' Commuter Coach.

Finance

- Completed the Fiscal Year 2016 CAFR with an unmodified ("clean") opinion, and the Single Audit Report with no findings or questioned costs.
- Updated Grants and Finance cash flow models for long term fleet acquisition and replacement efforts.
- Commenced the Money Room security, hardware and environmental upgrade project.

Customer Service & Outreach

- Continued Year 2 of the Senior Annual Pass Program and Year 1 of the Antelope Valley Student Pass Program.
- Met the Customer Service telephone hold-time target of 1 minute maximum.

Financial Health and Operational Performance

AVTA experienced a deficit (net of depreciation expense) of ($1,038,000) for fiscal year 2017. This is largely timing, as revenue recognition from federal and state grants was delayed into future years. The Authority continued to maintain its financial health with the intention of producing audited financial statements issued with clean, unmodified opinions for the fifth consecutive year.

Noted Accomplishments

AVTA put the first two inductive charging installations into service at Steve Owens Memorial Park in Lancaster, and at the Palmdale Transportation. Plans call for the addition of additional, higher power chargers at both locations, and in strategic locations within AVTA's service area in 2017-2018.

As of June 30, 2017, the Authority had most aspects of its state-of-the-art facility charging project completed at its Lancaster headquarters. The facility is expected to go into service during the first quarter of Fiscal Year 2018, in time to service the first deliveries of new battery-electric buses expected at the same time. The project will accommodate the managed charging requirements for up to 89 battery-electric buses at its Lancaster headquarters. Future plans will consider the feasibility of battery storage of solar generated power, moving AVTA towards a potentially self-sustaining future.

Fiscal Year 2018 Initiatives

The goals approved by the Board of Directors for Fiscal Year 2018 are presented by operating department below.

Fiscal Year 2018 Goals

Executive Service

- Continue AVTA's primary strategic goal, the electrification of its bus fleet by the end of Fiscal Year 2018
- Continue the principle strategy of acquiring funding through aggressive state and federal advocacy efforts. Working grant applications, or those planned to be applied for, include:
    - California Air Resources Board (ARB)
    - California State Transportation Agency (CALSTA) Transit and Intercity Rail Capital Program (TIRCP)
    - Low Carbon Transit Operations Program (LCTOP)
    - Low or No Emission Vehicle Deployment Program (LoNo)
    - Transportation Investment Generating Economic Recovery (TIGER)
    - Discretionary grants from FTA 5307 Formula Funds
- Conclude the location planning and construct the balance of the WAVE Inductive Chargers at key locations along AVTA longer routes to charge the electric bus fleet
- Conduct a Strategic Planning Meeting with the Board, TAC and Staff

Operations & Maintenance

- Regarding electric buses, take delivery and place into service:
    - Thirteen 60' articulated battery electric local transit buses;
    - Sixteen 45' battery electric commuter service coaches;
    - Twenty 40' battery electric local transit buses; and
    - Take delivery of ten battery-electric seven-passenger vans
- Complete integration of inductive charging facilities into regular bus operations.
- Implement the August 2017 Service Improvement Plan as approved by the Board of the Directors.
- Ensure that the electronic features for data gathering are working per specifications.
- Continue to improve the integrity and management reliance of the data collected from fleet operations as it relates to management oversight and external reporting.

Finance

- Complete the Fiscal Year 2017 CAFR and Single Audit Report with unmodified opinions; qualify for the fifth consecutive Award of Excellence in Financial Reporting.
- Enhance Management involvement and value of monthly budget to actual reporting.
- Complete the Money Room security, hardware and environmental upgrade project.

Customer Service & Outreach

- Improve the operational reliability and On-Time Performance (OTP) for local and commuter services to 90%.
- Coordinate and conduct rider outreach; form a Transit Advisory Committee to give the community a voice regarding local and commuter transit operations.
- Update Dial-a-Ride communications and customer service.
- Increase accessibility to the local transit system by strategically locating bus shelters and hubs to where riders want and need to meet the bus.

Fiscal Year 2018 Budget Summary

During the May 2017 Board Meeting, the AVTA Board of Directors approved a balanced fiscal year 2018 operating budget of $26.6 million and a capital budget of $44.2 million. By far the biggest capital commitment in AVTA's history, the bulk of the funds is $31.2 million from two Transit and Intercity Rail Capital Project (TIRCP) grants, sponsored by the California State Transportation Agency (CalSTA). TIRCP was created to provide grant funding from the Greenhouse Gas Reduction Fund to operation plans and modernize transit systems while reducing greenhouse gas emissions.

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Board of Directors

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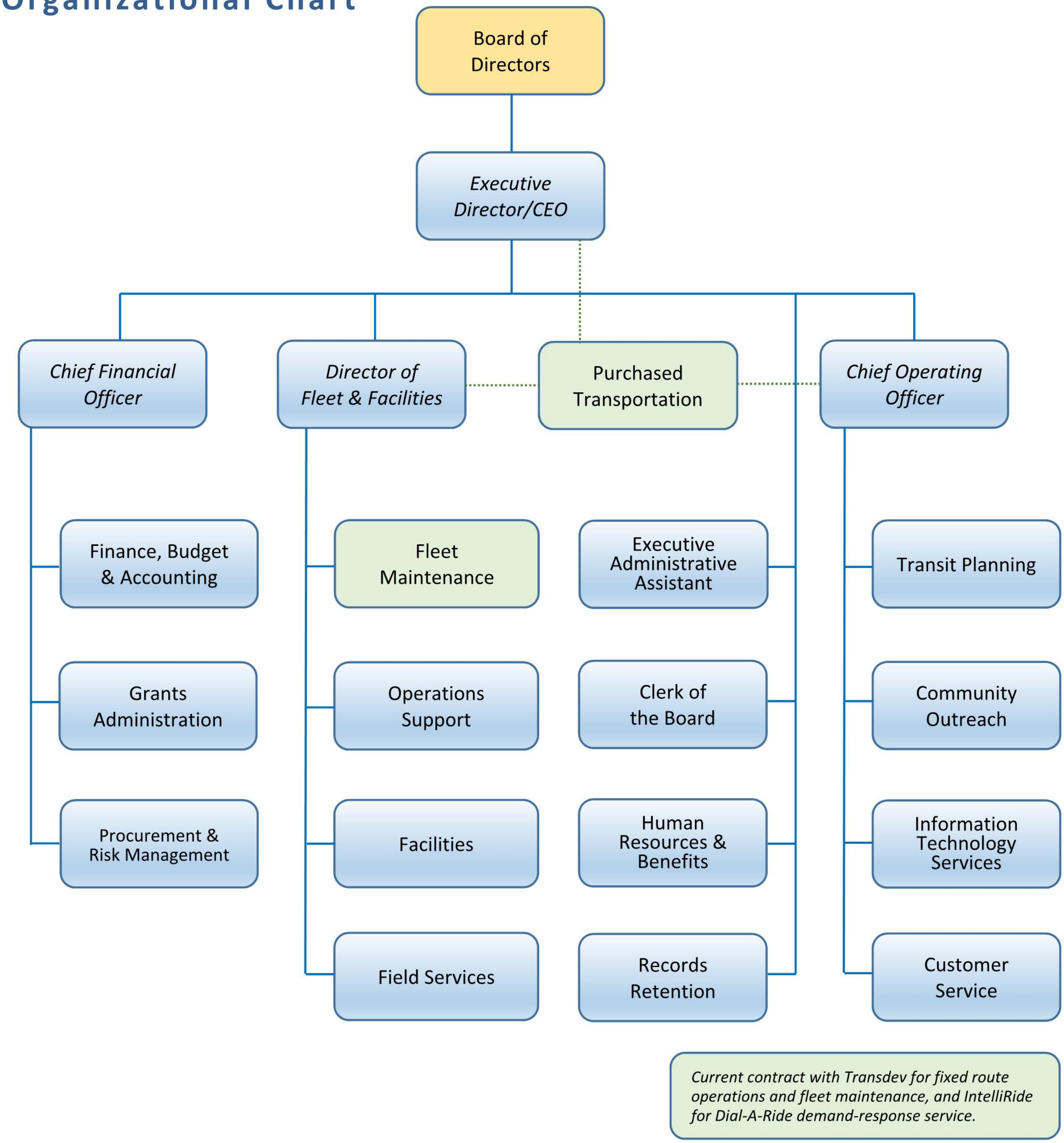
Executive Director / CEO
Len Engel
Antelope Valley Transit Authority

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 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 are formally 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 approach gives the Authority the ability to plan for its capital needs and budget resources accordingly.

Issues with required 'Altoona' bus model testing and the final engineering and development moved back the first deliveries of 60' articulated local transit buses into the 1st quarter of fiscal year 2018; deliveries of 40' local transit buses and 45' commuter coaches are anticipated in the 2nd and 3rd quarters, respectively.

AVTA's major capital acquisitions for Fiscal Year 2018 include the logistics, architectural, and engineering work for 11 additional, more powerful 250KW chargers at strategic points throughout AVTA's service area. Construction is expected to begin during Fiscal Year 2018 and is anticipated to conclude in Fiscal Year 2019.

Fiscal year 2017 saw the near-completion of AVTA's 'depot' charging facilities at its headquarters, built in cooperation with Southern California Edison. Able to provide overnight charging for 89 buses, the facility will go into service in the 2nd quarter of fiscal year 2018.

Other acquisitions include replacement support vehicles; the Regional Partnership Project, the continuation of a long-term program that funds transit-related projects and improvements in the AVTA's service area; maintenance tools and equipment; communications and computer equipment; and bus and bus stop security expenditures.

In connection with FTA requirements, AVTA acquired and is currently implementing a Transit Asset Management System (TAMS), a component of a new Maintenance Management System. This is in response to an FTA directive that all public transit agencies receiving FTA funds monitor and maintain their fixed assets in a state of good repair. The software system is planned to go live in the 3rd quarter of fiscal year 2018.

Awards and Acknowledgements

In fiscal year 2017, AVTA was named "Small Operator of the Year" by the California Transit Association; named "Business of the Year" by the City of Lancaster Chamber of Commerce, and presented the "Air Quality Award in Recognition for Leadership in Government" by the California Clean Air Coalition.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Antelope Valley Transit Authority for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2016, for the fourth consecutive year.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the professional and dedicated services of the Finance Department staff, with special acknowledgement to Finance Manager James Mannie, CPA, and Vianney McLaughlin, Staff Account II. Thanks go to Norm Hickling, Chief Operating Officer, and Mark Perry, Director of Fleet and Facilities for their technical advice and assistance.

Special thanks to Executive Director and Chief Executive Officer Len Engel for his extensive transit acumen and insightful leadership. Thanks to the Board of Directors for their continuing support in maintaining the highest standards in the management of AVTA's finances. Finally, AVTA acknowledges the resources and ever-present professional guidance of Windes, Inc., Certified Public Accountants.

Colby Konisek
Chief Financial Officer
Antelope Valley Transit Authority

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Antelope Valley Transit Authority

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

FINANCIAL SECTION

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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 statements of net position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 29-40 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 on 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 28, 2017 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.

Windes, Inc.

Long Beach, California
November 28, 2017

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Forward

The management of the Antelope Valley Transit Authority (Authority or AVTA) offers the readers of its financial statements this narrative overview and analysis of the financial activities of AVTA for the Fiscal Year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and notes.

Financial Highlights

- AVTA's cash and investments at Fiscal Year-end June 30, 2017 was $19,727,227.
- Due from governments at June 30, 2017 was $2,726,858; of this, $2,070,881 was due from the Federal Transit Administration and $637,131 was from the Los Angeles Metropolitan Transportation Authority.
- As of June 30, 2017, capital assets not subject to depreciation were $12,102,446 capital assets being depreciated were $91,573,879.
- Total revenues from all sources were $25,720,370, reflecting a decrease of $2,559,617, or a 9.0% reduction from the previous Fiscal Year.
- The total costs of all AVTA's transit services and projects were $26,758,531, a decrease of $613,679, or 2.2%, from the last Fiscal Year.
- The excess of total costs over revenues from all sources of AVTA's transit services and projects, including depreciation expense, was ($1,038,161). For the prior Fiscal Year, revenues exceeded total costs by $907,777.
- The operating loss from providing transit services, including depreciation and before non-operating revenues was $21,612,622 compared to an operating loss $21,888,024 for in the prior Fiscal Year.
- Member jurisdictions contributed $3,371,198 in support of transit service operations and $460,896 for non-operating capital reserves, a total of $3,832,094.
- AVTA implemented GASB 68 in 2015, which is intended to improve the accounting and financial reporting by state and local governments for pensions. Adjustments were made based on CalPERS information valued one year in arrears, as of June 30, 2015. As of June 30, 2017 and 2016, the net pension plan liability balances are $880,874 and $629,016, respectively.
- AVTA's net position (the extent that assets and deferred outflows of resources exceeds liabilities and deferred inflows of resources) at the close of the Fiscal Year 2017 was $72,595,321. Of this amount, $54,815,693 is the net amount of funds invested in capital assets. $6,364,214 represents an accumulation of restricted jurisdictional contributions to a capital reserve. The remaining $11,415,414 is unrestricted, and may be used to meet AVTA's ongoing financial obligations.

Financial Statement Overview

The annual financial report section of a Comprehensive Annual Financial Report consists of two parts: Management Discussion and Analysis and the audited financial statements, which includes the basic financial statements and their accompanying explanatory notes.

The AVTA is a government funded entity that follows enterprise fund accounting and presents its financial statement on the accrual basis of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated. These 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 fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following reports comprise AVTA's financial statements:

Statement of Net Position. Presents information on all of the Authority's assets, deferred outflow of resources, liabilities, and deferred inflows of resources with the net amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, though it is important to consider other nonfinancial factors in accurately assessing the overall health of AVTA, such as the ridership, volatility of fuel cost, etc.

Statement of Revenues, Expenses and Changes in Net Position. The information presented in this report shows how AVTA's net position changed during the most recent Fiscal Year. All 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 only result in cash flows in future fiscal periods.

Statement 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-capital financing activities, capital and non-related 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 planned to be, conducted by relevant authorities. During Fiscal Year 2017, there were three such audits.

AVTA underwent a Federal Transit Administration Procurement Systems Review (PSR) in the Summer and Fall of 2016. The FTA has a vested interest in assisting grantees maintain efficient and effective procurement systems, as well as a legal responsibility to ensure that its grantees expend federal funds in accordance with FTA regulations. To accomplish this, FTA has established an oversight program composed of grantee self-certification, annual single audits conducted in accordance with the Uniform Guidance and oversight reviews including the Procurement System Review.

The Philadelphia firm of Milligan and Company conducted the AVTA review on behalf of the FTA. During the review, twelve findings were documented; AVTA successfully completed all corrective actions; all responses and the resultant documentation was found to be in compliance by the FTA.

AVTA underwent an FTA Triennial Review for Fiscal Years 2014-2017. The review is one of the Federal Transit Administration's (FTA) management tools for examining grantee performance and adherence to current FTA requirements and policies. In particular, it examines how recipients of Section 5307 Urbanized Area Formula Funding meet statutory and administrative requirements. In addition to evaluating grantees, the review gives the FTA an opportunity to provide technical assistance to grantees and aids the FTA in reporting to the Secretary of Transportation, Congress, other oversight agencies and the transit community on the Urbanized Area Formula Program.

The Hernando, Florida firm of Qi Tech conducted the AVTA review on behalf of FTA Region 9, reviewing 17 areas over a 4-month period; there were two findings. All of the findings were addressed with the Los Angeles Office of FTA Region 9. AVTA successfully completed all corrective actions; all responses and the resultant documentation was found to be in compliance by the FTA.

The Los Angeles Metropolitan Transportation Authority sponsors an annual audit of the Proposition A Discretionary Incentive Grant. The audit will be conducted by Vasquez & Company LLP as of June 30, 2017. The audit field work is scheduled for November 2017; once the field work is completed, statements will be issued upon review by Metro. The audit report issued for June 30, 2016 had no exceptions noted.

Financial Statement Analysis

Statements of Net Position

As of June 30, 2017, 2016 and 2015, AVTA's net position was $72,595,321, $73,633,482 and $72,725,705, respectively, as shown in Table 1:

Table 1 - Statements of Net Position

				2017 vs 2016		2016 vs. 2015	
	2017	2016	2015	$ Increase (Decrease)	% Incr (Decr)	$ Increase (Decrease)	% Incr (Decr)
Current and other assets	23,744,511	27,808,929	$26,129,836	(4,064,418)	(14.6%)	$1,679,093	6.4%
Capital assets	54,815,693	49,276,272	50,243,765	5,539,421	11.2%	(967,493)	(1.9%)
Total assets	78,560,204	77,085,201	76,373,601	1,475,003	1.9%	711,600	0.9%
Defered outflows of resources	888,674	626,044	405,595	262,630	42.0%	220,449	54.4%
Current liabilities	5,499,215	2,775,902	2,793,428	2,723,313	98.1%	(17,526)	(0.6%)
Noncurrent liabilities	1,211,944	1,005,497	941,598	206,447	20.5%	63,899	6.8%
Deferred Inflows of Resources	142,398	296,364	318,465	(153,966)	(52.0%)	(22,101)	(6.9%)
Net position:							
Invested in capital assets, net of accumulated depreciation	54,815,693	49,276,272	50,243,765	5,539,421	11.2%	(967,493)	(1.9%)
Restricted for capital acquisition	6,364,214	5,862,873	5,385,625	501,341	8.6%	477,248	8.9%
Unrestricted	11,415,414	18,494,337	17,096,315	(7,078,923)	(38.3%)	1,398,022	8.2%
Total net position	$72,595,321	$73,633,482	$72,725,705	($1,038,161)	(1.4%)	$907,777	1.2%

Reversing the improvement trend from the past couple of years, AVTA's total net position declined in Fiscal Year 2017. The change in total net position was ($1,038,161), down from $907,777 in the prior year. The major causes were decreases in capital grant revenue recognition between the two years, the largely contractual annual increase in the costs of providing transportation to the riding public, and a decrease in passenger fares.

The implementation of GASB 68 in 2015 resulted in several adjustments to the financial statements. The Statement requires governmental employers to reflect the net pension liability, defined as the difference between the present value of projected pension benefit payments to current active and inactive employees, less the amount of the pension plan's net position (assets less liabilities). Pension plan information for the Fiscal Year ended June 30, 2016 was provided by CalPERS and combined with 2017 pension payments to determine the corresponding liability as of June 30, 2017. The figures reflected in the financial statements for the Authority's pension liability are $880,874 and $629,016 as of June 30, 2017 and 2016, respectively.

Assets net of accumulated depreciation increased $5,539,421. A write-off of older bus equipment was offset by an increase in Construction in Progress for the Facilities Charging Project, which will allow up to 89 battery electric buses to be charged at AVTA's Lancaster, CA headquarters. The Charging Project will go into service in Fiscal Year 2018.

Unrestricted net assets of $11,415,414 are available to meet the Authority's ongoing financial obligations, and $6,364,214 in restricted funds restricted for capital assets are available as local match requirements for transit fleet procurements. The replacement units planned for acquisition in Fiscal Years 2018 and beyond will make use of the capital reserve funds.

Financial Statement Analysis

Statements of Revenues, Expenses and Changes In Net Position

As of June 30, 2017, 2016 and 2015, AVTA's change in net position was ($1,038,161), $907,777 and $2,734,073, respectively, as shown in Table 2:

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

				2017 vs 2016		2016 vs. 2015	
	2017	2016	2015	$ Increase (Decrease)	% Incr (Decr)	$ Increase (Decrease)	% Incr (Decr)
Revenues:							
Charges for services	$5,041,398	$5,317,988	$4,844,045	($276,590)	(5.2%)	$473,943	9.8%
Operating grants and contributions	19,015,144	18,464,234	18,704,456	550,910	3.0%	(240,222)	(1.3%)
Capital grants and contributions	1,496,589	4,048,909	5,553,670	(2,552,320)	(63.0%)	(1,504,761)	(27.1%)
Other non-transportation revenues	167,239	448,856	519,128	(281,617)	(62.7%)	(70,272)	(13.5%)
Total revenues	25,720,370	28,279,987	29,621,299	(2,559,617)	(9.1%)	(1,341,312)	(4.5%)
Expenses:							
Purchased transportation	15,191,275	14,517,282	13,832,936	673,993	4.6%	684,346	4.9%
Fuel	1,882,075	1,676,397	2,293,702	205,678	12.3%	(617,305)	(26.9%)
Other operating costs	837,546	714,042	580,994	123,504	17.3%	133,048	22.9%
General and administrative expenses	4,720,280	4,503,107	4,420,113	217,173	4.8%	82,994	1.9%
Depreciation	4,022,844	5,795,184	5,403,115	(1,772,339)	(30.6%)	392,069	7.3%
Capital Expenses	104,511	166,198	356,366	(61,687)	(37.1%)	(190,168)	(53.4%)
Total expenses	26,758,531	27,372,210	26,887,226	(613,679)	(2.2%)	484,984	1.8%
Change in net position	(1,038,161)	907,777	2,734,073	(1,945,939)	(214.4%)	(1,826,296)	(66.8%)
Net position, beginning of the year	73,633,482	72,725,705	69,991,632	907,777	1.2%	2,734,073	3.9%
Net position, end of year	$72,595,321	$73,633,482	$72,725,705	($1,038,161)	(1.4%)	$907,777	1.2%

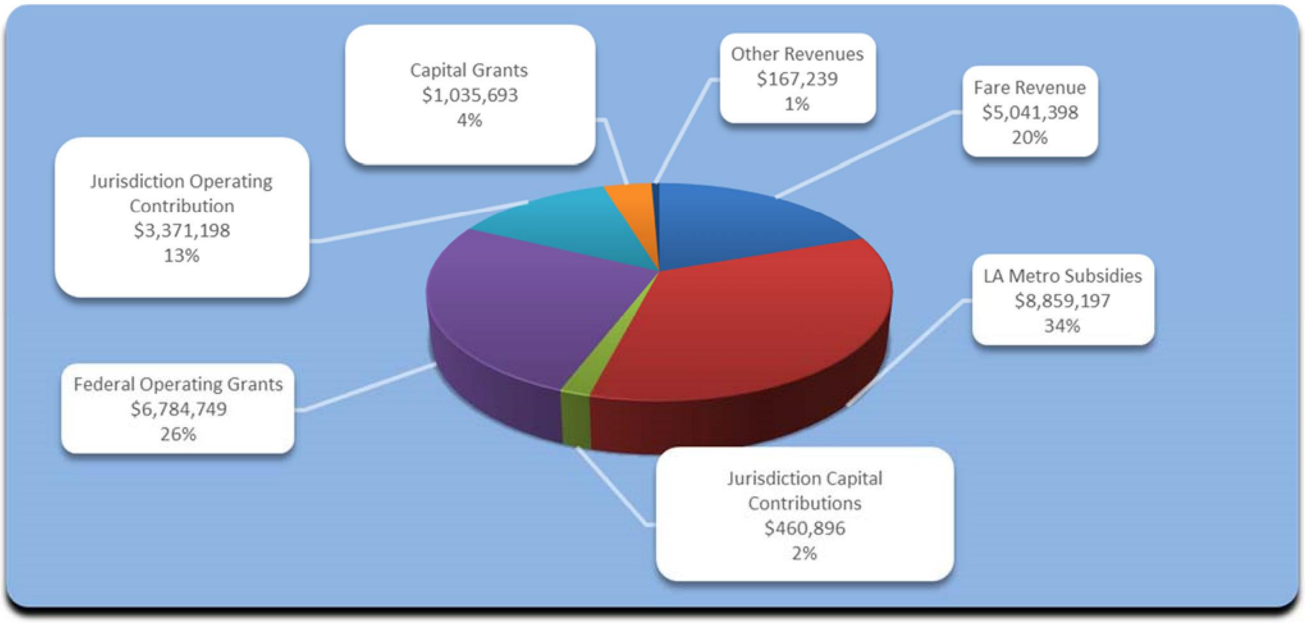
Grants and Operational Revenues

For the Fiscal Year ended June 30, 2017, AVTA's total revenues from all sources were $25.7 million, down $2.6 million, or 9.1%, from Fiscal Year 2016. Capital Grants and Contributions decreased by $2.6 million, or 63.0%, as recognized revenues for eligible expenses slowed. As these expenses start to pick up in Fiscal Year 2018, more revenue will be drawn down from already-awarded grants and recognized as revenue. Fare revenue for Fiscal Year 2017 decreased ($276,600), or 5.2%, from fiscal year 2016, due to a general decrease in ridership and strike days (7 in fiscal year 2017 and 2 in fiscal year 2018) by the operator's union of AVTA subcontractor Transdev. Transdev and the Teamsters Union settled their contract dispute on November 5, 2017, and have a four-year agreement, through the end of the current contract between AVTA and Transdev. AVTA received its full share of Access Free-Fare reimbursement for vetted paratransit costumers that took trips on AVTA's local transit services.

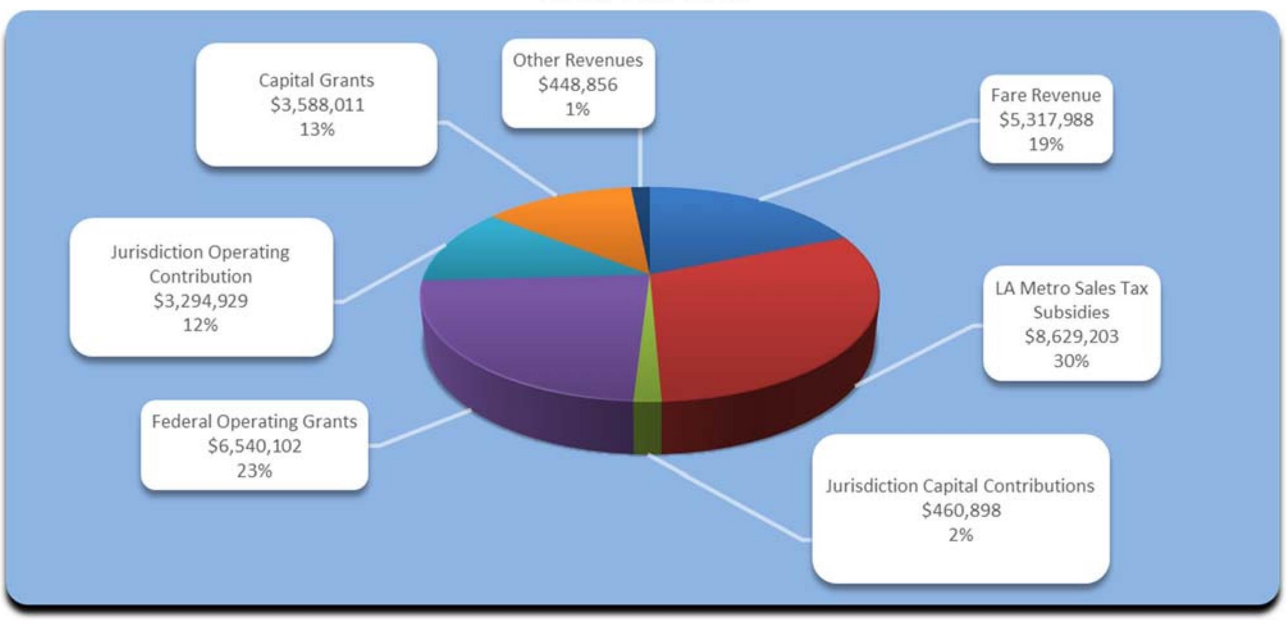
AVTA's revenue sources for fiscal years 2017 and 2016 are compared below in the pie charts in Figure 1. The percentage relationship of the categories relative to each other, and their relative impact on the Authority's total funding, are shown illustrated. Note the difference in capital grants between the two Fiscal Years considerably alters the relative contributory percentages to each other.

Figure 1 - Statements of Revenues, Expenses and Changes in Net Position ($ millions)

Fiscal Year 2017



Fiscal Year 2016

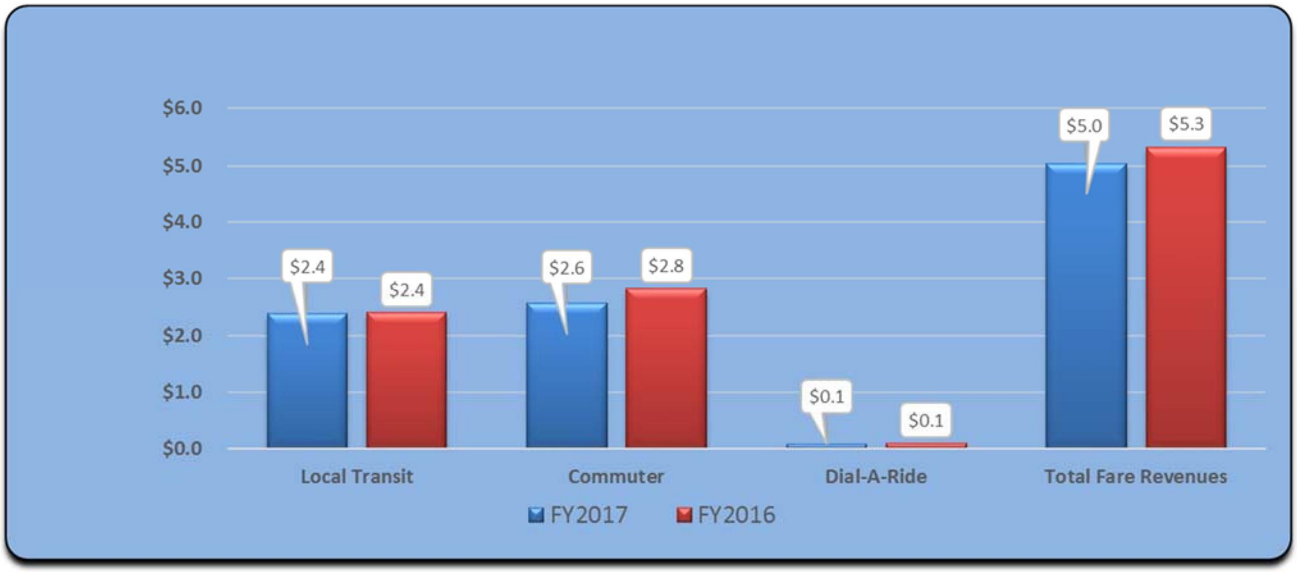


The primary revenue sources in Fiscal Year 2017 continue to be from the Metro Tax Subsidies (34%) and Federal Grants Operating Grants (26%).

Fare Revenues

Farebox revenue is received as a result of the three service modes provided by AVTA to the public, local transit service, commuter service, and demand response (Dial-A-Ride) service. In total, fare revenue was $5.0 million for 2017, down 5.2% from $5.3 million in 2016. The comparative amounts received for each service contributing to total farebox revenues for Fiscal Years 2017 and 2016 are shown in Figure 2 below.

Figure 2 – 2017 Farebox Revenue by Service Mode ($ millions)

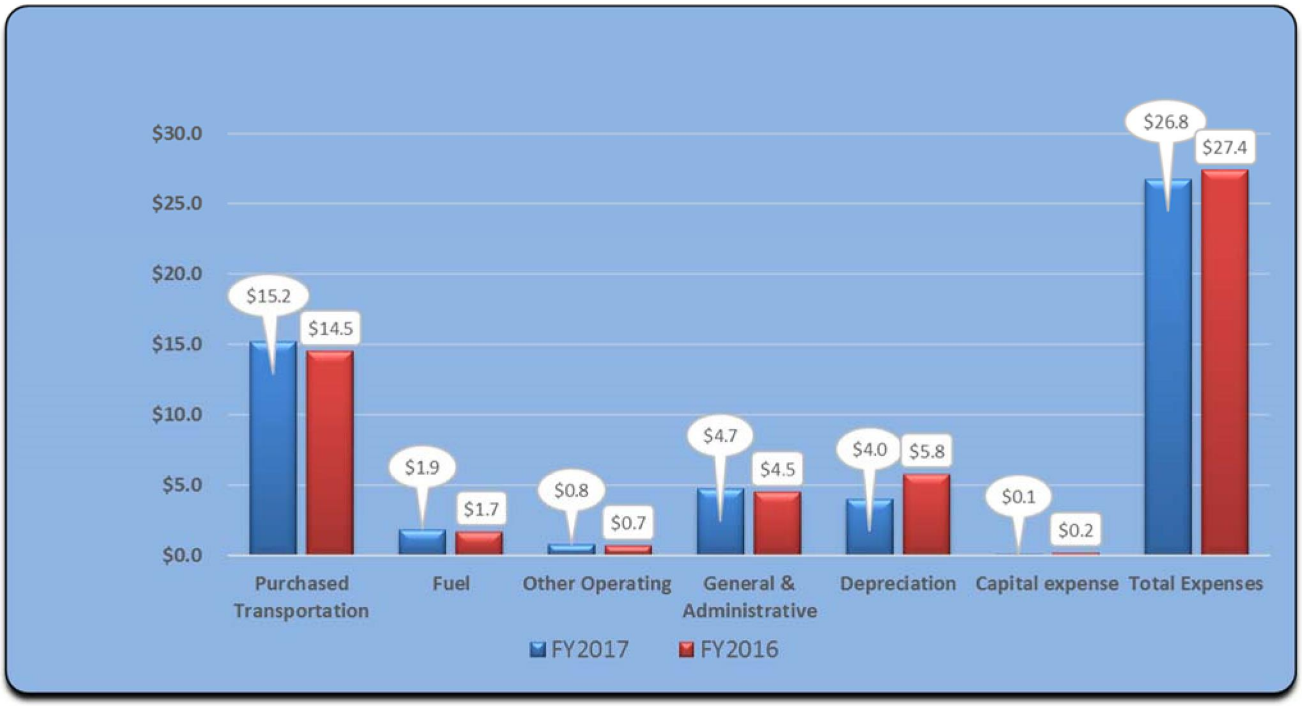


All three modal categories decreased, with the largest occurring in Commuter Service at 9.1%, while Local Transit fell just 0.6%. Management had been considering the drop in overall fares, and has engaged both a transit consultant and a public relations firm to strategize ways to increase ridership. Activities have included a strategic planning meeting between AVTA's Board of Directors and key staff; more intensive route planning to provide more accurate route time points; investigating new methods of service delivery such as van-pool operations, which could extend service into Kern County; and providing the public with more timely communication of changes to routine operations and unintentional disruptions to service.

Expenses

AVTA's operating expenses are reported in the following major categories: purchased transportation, fuel, other operating expenses, general and administrative expenses, depreciation and capital expenses. The comparative level of expenditures for each operating expense category for Fiscal Year 2017 and Fiscal Year 2016 are shown in Figure 3.

Figure 3 – Comparative Operating Expense, Fiscal Years 2017 and 2016 ($ Millions)



Total operating expenses (expenses net of depreciation) were $22.6 million and $21.4 million for Fiscal Years 2017 and 2016, respectively, an increase of $1.2 million, or 5.7%; the largest change was an increase in Purchased Transportation (see comments below). Depreciation decreased $1.8 million or 30.6% due to the retirement and resulting write off of older transportation equipment.

AVTA contracts with Transdev Transportation for fleet dispatch, field operations and maintenance, and with the IntelliRide Company for Dial-A-Ride services. Purchased transportation increased by $674,000 due to annualized contract increases that occur January 1st of every year.

Fuel use increased $206,000 due in part to the operator's strike. For its commuter operations, AVTA holds buses in place at the end of its commuter routes during the day until they are needed for return trips back to Lancaster. Due to concerns about the security of the commuter coaches, they were driven back to AVTA's facilities after their morning runs, doubling their daily mileage and fuel used. Fossil fuel expenses will continue in favor more electric power as AVTA continues the effort to convert its fleet to all electric buses.

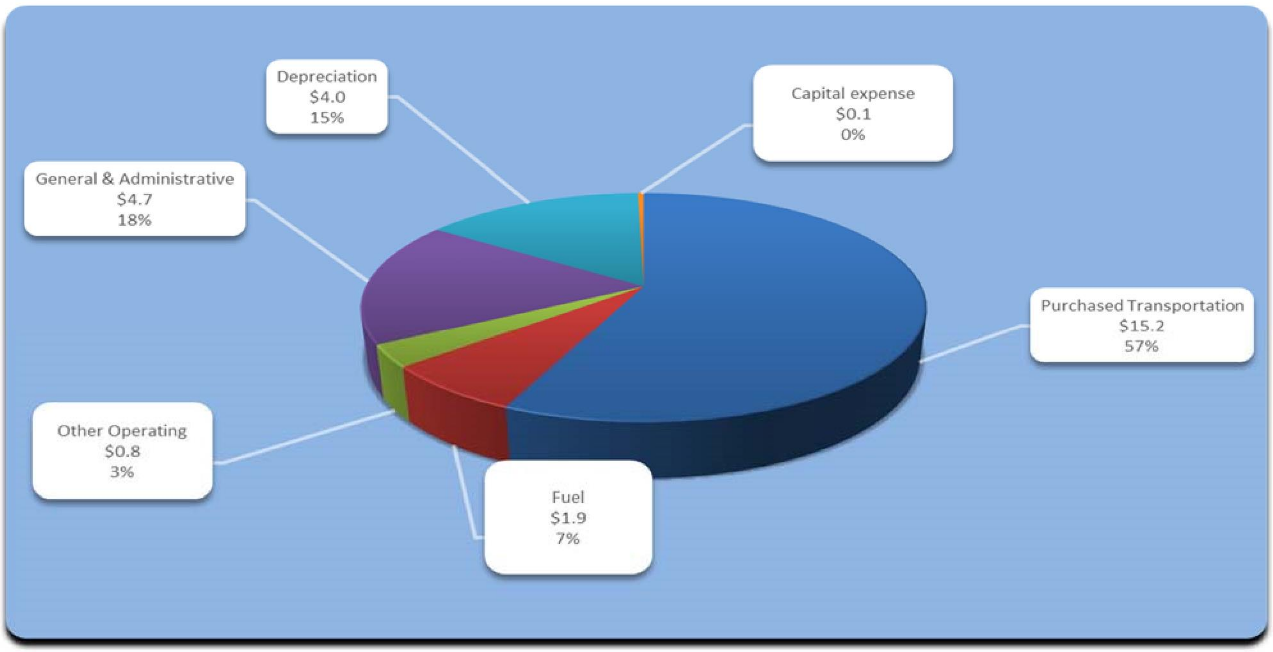
Other operating costs for 2017 increased by $123,000 from the prior year. Much of the increase is due to higher expenses in software licenses, utilities and aggregate costs.

General & administrative expenses in 2017 were $4.7 million, $200,000 higher than 2016, approximately split between expenses and personnel costs.

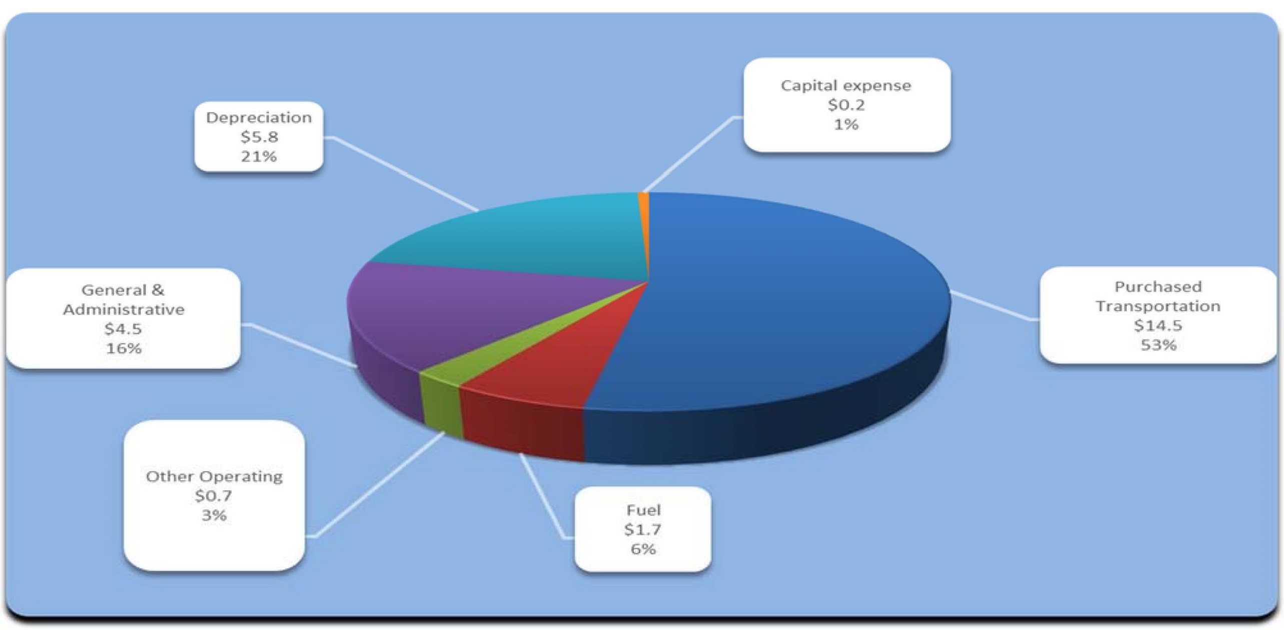
Figure 4 shows the comparative amounts for the expense category for each of Fiscal Years 2017 and 2016.

Figure 4 – Relative Cost Categories by Year for Fiscal Years 2017 and 2016 ($ Millions)

Fiscal Year 2017



Fiscal Year 2016



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, 2017, unrestricted net position is $11.4 million, a decrease of $7.1 million over the prior year; the biggest contributor to this reduction was the use of internal funds to partially fund the Facilities Charging Project. Funds restricted for capital acquisition are $6.4 million, an increase of $0.5 million representing capital reserve contributions for the Fiscal Year ended June 30, 2017.

Capital Assets

The details of the Authority's investment in capital assets as of June 30, 2017, 2016 and 2015 are presented in Table 3.

Table 3 – Capital Assets, net of Accumulated Depreciation

				2017 vs 2016		2016 vs. 2015	
	2017	2016	2015	$ Increase (Decrease)	% Incr (Decr)	$ Increase (Decrease)	% Incr (Decr)
Construction in progress	10,285,830	$1,944,535	$474,575	$8,341,295	429.0%	$1,469,960	309.7%
Land	1,816,616	1,816,616	1,816,616	0	0.0%	0	0.0%
Buildings and Improvements	25,192,426	25,514,722	26,123,857	(322,296)	(1.3%)	(609,135)	(2.3%)
Transportation equipment	15,270,258	17,217,118	18,802,526	(1,946,860)	(11.3%)	(1,585,408)	(8.4%)
Computer and communications equipment	2,094,408	2,617,258	2,639,939	(522,850)	(20.0%)	(22,681)	(0.9%)
Other Equipment	156,155	166,023	386,252	(9,868)	(5.9%)	(220,229)	(57.0%)
Total capital assets, net of accumulated depreciation	$54,815,693	$49,276,272	$50,243,765	$5,539,421	11.2%	($967,493)	(1.9%)

As of June 30, 2017, the Authority had a book value of $54.8 million invested in capital assets. This total represents a net increase of $5.5 million, an increase of 11.2% from the prior year total of $49.3 million. The increase is attributable to the Facilities Charging Project costs reflected in construction in progress at year-end.

Additional information concerning the Authority's capital assets can be found in Note 5 to the financial statements.

Long-Term Debt

AVTA has no direct or indirect bonded indebtedness.

Requests for Information

This Comprehensive Annual Financial Report is designed to provide our ridership, 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, contact the undersigned:

Colby Konisek
Chief Financial Officer
Antelope Valley Transit Authority
42210 6th Street West
Lancaster, CA 93534

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STATEMENTS OF NET POSITION

ASSETS

	June 30, 2017	June 30, 2016
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 19,727,227	$ 19,737,591
Due from other governments (Note 3)	2,726,858	6,992,536
Other receivables	605,368	346,710
Inventory	282,354	262,453
Prepaid items	402,704	469,639
	23,744,511	27,808,929
NONCURRENT ASSETS		
Capital assets, depreciated, net (Note 5)	54,815,693	49,276,272
TOTAL ASSETS	78,560,204	77,085,201
DEFERRED OUTFLOWS OF RESOURECS		
Pension plan contributions	888,674	626,044

LIABILITIES AND NET POSITION

	June 30, 2017	June 30, 2016
CURRENT LIABILITIES		
Accounts payable	3,022,786	1,609,445
Accrued payroll	42,597	38,515
Unearned revenue - Prop 1B (Note 4)	2,395,496	1,099,676
Unearned revenue – Other	6,500	-
Compensated absences (Note 6)	31,836	28,266
Total Current Liabilities	5,499,215	2,775,902
NONCURRENT LIABILITIES		
Noncurrent compensated absences	331,070	376,481
Net pension plan liability	880,874	629,016
	1,211,944	1,005,497
DEFERRED INFLOWS OF RESOURCES		
Pension plan assumption differences	142,398	296,364
NET POSITION		
Invested in capital assets	54,815,693	49,276,272
Restricted for capital acquisition	6,364,214	5,862,873
Unrestricted	11,415,414	18,494,337
TOTAL NET POSITION	$ 72,595,321	$ 73,633,482

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, 2017	2016
OPERATING REVENUES		
Charges for services:		
Passenger fares	$ 5,041,398	$ 5,317,988
Total operating revenues	5,041,398	5,317,988
OPERATING EXPENSES		
Purchased transportation services:		
Outside transit contract	15,191,275	14,517,282
Fuel	1,882,075	1,676,397
Other operating costs	837,546	714,042
General and administrative	4,720,280	4,503,107
Depreciation	4,022,844	5,795,184
Total operating expenses	26,654,020	27,206,012
Operating loss	(21,612,622)	(21,888,024)
NONOPERATING REVENUES (EXPENSES)		
Interest income	46,215	27,091
Local operating grants – LA Metro	8,859,197	8,629,203
Federal operating grants	6,784,749	6,540,102
Member agency contributions	3,371,198	3,294,929
Capital related expenses	(104,511)	(166,198)
Other	121,024	421,765
Total nonoperating revenues and expenses	19,077,872	18,746,892
Loss before capital contributions	(2,534,750)	(3,141,132)
CAPITAL CONTRIBUTIONS		
Capital grants	1,035,693	3,588,011
Member contributions	460,896	460,898
Total capital contributions	1,496,589	4,048,909
NET CHANGE IN NET POSITION	(1,038,161)	907,777
NET POSITION, BEGINNING OF YEAR	73,633,482	72,725,705
NET POSITION, END OF YEAR	$ 72,595,321	$ 73,633,482

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

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 5,041,398	$ 5,321,974
Nonoperating miscellaneous received	343,930	409,888
Cash payments to suppliers for goods and services	(16,744,438)	(18,383,372)
Cash payments to employees for services	(3,585,200)	(3,456,424)
Net Cash Used In Operating Activities	(14,944,310)	(16,107,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating grants received	19,555,786	15,135,474
Contributions received from member agencies	3,352,352	3,314,248
Net Cash Provided By Noncapital Financing Activities	22,908,138	18,449,722
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(9,905,478)	(4,827,691)
Proceeds from sale of capital assets	120,305	-
Capital grants received	1,408,381	4,625,176
Grantable expenses	(104,511)	(166,198)
Capital contributions received from member agencies	460,896	504,546
Net Cash Provided By/ (Used In) Capital and Related Financing Activities	(8,020,407)	135,833
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	46,215	27,091
Net Cash Provided By Investing Activities	46,215	27,091
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,364)	2,504,712
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,737,591	17,232,879
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 19,727,227	$ 19,737,591

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

STATEMENTS OF CASH FLOWS
Continued

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	($ 21,612,622)	($ 21,888,024)
Adjustments to net cash used in operating activities:		
Depreciation	4,022,844	5,795,184
Miscellaneous income	343,930	421,765
(Increase) in other receivables	(258,658)	(85,123)
(Increase) in inventory	(19,901)	(22,119)
Decrease / (increase) in prepaid items	66,934	(133,440)
(Increase) in deferred outflows or resources	(262,630)	(220,449)
(Decrease) / increase in accounts payable	1,413,340	(139,122)
(Decrease) / increase in accrued payroll	4,082	(48,476)
(Decrease) / increase in compensated absences payable	(41,841)	79,677
Increase in unearned revenue	1,302,320	164,507
(Decrease)/ increase in net pension liability	251,858	(10,213)
(Decrease) in deferred inflow of resources	(153,966)	(22,101)
Net Cash Used In Operating Activities	($ 14,944,310)	($ 16,107,934)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

There were no noncash investing, capital or financing activities during the fiscal years ended June 30, 2017 and 2016.

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

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 a 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 (GASB) 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.

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.

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, state and county operating grants, investment income, and jurisdictional member contributions designated for use for operating and 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.

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 nine 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.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Inventory and Prepaid Items

Inventory consists of fuel in storage held for consumption and a part used for the maintenance of transportation equipment and facilities and is 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:

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

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 nonoperating 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.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

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 Outflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows. This separate financial statement element represents a disposition of net position that applies to future periods and will not be recognized as expense until that time.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position includes 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.

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	June 30, 2017	June 30, 2016
Cash on hand	$ 750	$ 750
Deposits with financial institutions	13,362,263	14,327,667
Local Agency Investment Fund (LAIF)	6,364,214	5,409,174
Total cash and cash equivalents	$ 19,727,227	$ 19,737,591

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.

Authorized Investment Type	Authorized By Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer*
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.

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, 2017 and 2016.

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:

Investment Type	Total	12 Months or Less
Local Agency Investment Fund (LAIF)	$ 6,364,214	$ 6,364,214
Total	$ 6,364,214	$ 6,364,214

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, 2017 and 2016, 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.

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, 2017 and 2016, 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.

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:

	June 30,	
	2017	**2016**
Federal grants	$ 2,070,881	$ 6,494,878
Local grants - MTA	637,131	497,658
Operating contribution		
City of Lancaster	18,846	-
Total due from other governments	$ 2,726,858	$ 6,992,536

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, 2017 and 2016 was as follows:

Unspent PTMISEA funds as of July 1, 2015	$ 935,169
PTMISEA funds received during the fiscal year ended June 30, 2016	625,903
PTMISEA expenses incurred during the fiscal year ended June 30, 2016	(461,396)
Unspent PTMISEA cash receipts as of June 30, 2016	1,099,676
PTMISEA funds received during the fiscal year ended June 30, 2017	1,389,404
PTMISEA expenses incurred during the fiscal year ended June 30, 2017	(93,584)
Unspent PTMISEA cash receipts as of June 30, 2017	$ 2,395,496

NOTE 5 – Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2017 is shown below:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Capital assets, not being depreciated:				
Land	$ 1,816,616	-	-	$ 1,816,616
Construction-in-progress	1,944,535	$ 8,894,295	($ 553,000)	10,285,830
Total capital assets, not being depreciated	3,761,151	8,894,295	(553,000)	12,102,446
Capital assets being depreciated:				
Buildings	34,078,928	780,035	-	34,858,963
Equipment	11,776,300	115,888	(108,724)	11,783,464
Transportation equipment	48,234,901	593,737	(3,897,186)	44,931,452
Total capital assets, being depreciated	94,090,129	1,489,660	(4,005,910)	91,573,879
Less accumulated depreciation:				
Buildings	(8,564,206)	(1,102,331)	-	(9,666,537)
Equipment	(9,568,073)	(648,606)	108,724	(10,107,955)
Transportation equipment	(30,442,729)	(2,271,907)	3,628,496	(29,086,140)
Total accumulated depreciation	(48,575,008)	(4,022,844)	3,737,220	(48,860,632)
Total capital assets, being depreciated, net	45,515,121	(2,533,184)	(286,690)	42,713,247
Capital assets, net	$ 49,276,272	$ 6,361,111	($ 821,690)	$ 54,815,693

NOTE 5 – Capital Assets (Continued)

A schedule of changes in capital assets for the year ended June 30, 2016 is shown below:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
Capital assets, not being depreciated:				
Land	$ 1,816,616	-	-	$ 1,816,616
Construction-in-progress	474,575	$ 2,111,559	($ 641,599)	1,944,535
Total capital assets, not being depreciated	2,291,191	2,111,559	(641,599)	3,761,151
Capital assets being depreciated:				
Buildings	33,627,782	451,146	-	34,078,928
Equipment	11,235,185	541,115	-	11,776,300
Transportation equipment	45,862,555	2,372,346	-	48,234,901
Total capital assets, being depreciated	90,725,522	3,364,607	-	94,090,129
Less accumulated depreciation:				
Buildings	(7,503,925)	(1,060,281)	-	(8,564,206)
Equipment	(8,208,994)	(1,359,079)	-	(9,568,073)
Transportation equipment	(27,060,029)	(3,375,824)	(6,876)	(30,442,729)
Total accumulated depreciation	(42,772,948)	(5,795,184)	(6,876)	(48,575,008)
Total capital assets, being depreciated, net	47,952,574	(2,430,577)	(6,876)	45,515,121
Capital assets, net	$ 50,243,765	($ 319,018)	($ 648,575)	$ 49,276,272

NOTE 6 – Compensated Absences

A schedule of changes in compensated absences for the year ended June 30, 2017 is shown below:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amount due Within One Year
Compensated absences	$ 404,747	$ 362,906	$ 404,747	$ 362,906	$ 31,836

A schedule of changes in compensated absences for the year ended June 30, 2016 is shown below:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amount due Within One Year
Compensated absences	$ 325,070	$ 404,747	$ 325,070	$ 404,747	$ 28,266

NOTE 7 – Defined Benefit Pension Plan (CalPERS)

During the fiscal year ended June 30, 2015, AVTA implemented GASB 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 27*, and recorded a net pension liability associated with 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.

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

A summary of principal actuarial assumptions used are as follows:

Actuarial cost method	Entry age normal
Actuarial assumptions	
Discount rate	7.65%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of Return	7.65% net of investment and administrative expenses
Mortality tables	Derived from CalPERS' data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The asset allocation shown below reflects the CalPERS' fund in total and expected rate of return as of June 30, 2016:

Asset Class	Current Allocation	Current Target Allocation
Global equity	51.9%	51.0%
Private equity	9.0%	10.0%
Global fixed income	20.3%	20.0%
Real Assets	10.8%	12.0%
Liquidity	1.5%	1.0%
Inflation Assets	6.0%	6.0%
Absolute Return Strategies	0.1%	-
Total Plan Level	0.4%	-

Source: CalPERS Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

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

AVTA has reported the following pension related amounts as deferred outflows and deferred inflows of resources on the Statement of Net Position for the year ended June 30, 2017:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,449	$ 1,707
Changes of Assumptions	-	70,472
Net difference between projected and actual earnings on plan investments	366,782	-
Change in employer's proportion	152,362	70,219
Differences between the employer's contributions and the employer's proportionate share of contributions	135,324	-
Pension Contributions subsequent to measurement date	226,757	-
	$ 888,674	$ 142,398

The $226,757 reported as deferred outflows of resources are related to contributions made by AVTA subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources will be amortized into pension expense as follows:

Fiscal year ending June 30,	
2018	$ 138,447
2019	120,545
2020	165,526
2021	95,001
	$ 519,519

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

AVTA has reported the following pension related amounts as deferred outflows and deferred inflows of resources on the Statement of Net Position for the year ended June 30, 2016:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 16,174	-
Changes of Assumptions	-	$ 153,019
Net difference between projected and actual earnings on plan investments	-	76,710
Change in employer's proportion	237,008	66,635
Differences between the employer's contributions and the employer's proportionate share of contributions	164,406	-
Pension Contributions subsequent to measurement date	208,456	-
	$ 626,044	$ 296,364

The $208,456 reported as deferred outflows of resources are related to contributions made by AVTA subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

The following table provides the components of pension expense for the plan recognized during the year ended June 30, 2017:

Miscellaneous risk pool collective pension expense	$ 396,802,310
Proportion applicable to pension expense	0.061460%
Allocated share of pension expense	243,875
Recognition of employer-specific amounts -	
Change in proportion	32,587
Difference between actual contributions and proportionate share of total contributions	88,534
Difference proportions	
Total employer-specific expense	(302,977)
Total pension expense	$ 62,019

The following table provides the components of pension expense for the plan recognized during the year ended June 30, 2016:

Miscellaneous risk pool collective pension expense	$ 169,012,986
Proportion applicable to pension expense	0.085790%
Allocated share of pension expense	144,996
Recognition of employer-specific amounts -	
Change in proportion	47,626
Difference between actual contributions and proportionate share of total contributions	72,466
Difference proportions	
Total employer-specific expense	(354,844)
Total pension income	$ (89,756)

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

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

The following represents the net position liability of the plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.65%) or 1% higher (8.65%).

	Discount rate minus 1% (6.65%)	Current discount rate (7.65%)	Discount rate plus 1% (8.65%)
Net pension liability	$ 1,538,162	$ 880,874	$ 337,657

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, 2017. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2017 and 2016.

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:

	June 30,	
	2017	**2016**
County of Los Angeles	$ 1,360,908	$ 1,265,129
City of Palmdale	2,340,192	2,166,594
City of Lancaster	2,495,378	2,303,859
Interest earned on reserve balances	167,736	127,291
	$ 6,364,214	$ 5,862,873

STATISTICAL SECTION

STATISTICAL SECTION

This 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 indicates regarding AVTA's overall financial health. This information has not been audited by the independent auditors.

Source: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports, its underlying assumptions and information, and other sources for the relevant years reported.

FINANCIAL TRENDS

NET POSITION BY CLASSIFICATION

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital assets, net of accumulated depreciation	$ 32,301,630	$ 32,618,573	$35,942,481	$ 32,036,915	$ 36,898,608	$ 50,781,434	$ 48,781,469	$ 50,243,765	$ 49,276,272	$ 54,815,693
Restricted assets - Capital Reserves	-	-	-	3,949,444	4,423,713	4,436,135	4,917,417	5,385,625	5,862,873	6,364,214
Unrestricted assets	6,748,076	8,533,977	9,148,799	4,383,753	7,313,190	11,623,461	16,292,746	17,096,315	18,494,337	11,415,414
NET POSITION	**$ 39,049,706**	**$ 41,152,550**	**$ 45,091,280**	**$ 40,370,112**	**$ 48,635,511**	**$ 66,841,030**	**$ 69,991,632**	**$ 72,725,705**	**$ 73,633,482**	**$ 72,595,321**

Source: AVTA Finance Department

FINANCIAL TRENDS

CHANGES IN NET POSITION

	2008	2009	2010	2011[a]	2012	2013	2014[b]	2015	2016	2017
Operating revenue:										
Passenger Fares	**$4,497,172**	**$4,582,997**	**$3,746,050**	**$4,283,321**	**$4,686,665**	**$4,832,800**	**$4,913,641**	**$4,844,045**	**$5,317,988**	**$5,041,398**
Total Operating revenue	**4,497,172**	**4,582,997**	**3,746,050**	**4,283,321**	**4,686,665**	**4,832,800**	**4,913,641**	**4,844,045**	**5,317,988**	**5,041,398**
Operating expenses:										
Purchased transportation	9,182,994	9,555,408	9,733,907	8,802,872	10,457,322	12,318,390	12,799,002	13,832,936	14,517,282	15,191,275
Fuel	2,749,088	2,258,192	1,939,320	2,792,580	3,081,667	2,819,513	2,768,552	2,293,702	1,676,397	1,882,075
Other operating costs	421,709	948,357	1,634,413	1,998,585	1,363,069	824,123	628,458	580,994	714,042	837,546
General & Administrative	2,530,745	2,975,892	2,960,149	5,951,488	5,215,431	4,062,048	4,503,687	4,420,113	4,503,107	4,720,280
Depreciation	6,240,007	4,934,184	5,318,582	4,437,374	4,215,999	4,519,585	5,131,937	5,403,115	5,795,184	4,022,844
Total operating expenses	21,124,543	20,672,033	21,586,371	23,982,899	24,333,488	24,543,659	25,831,636	26,530,860	27,206,012	26,654,020
Operating income (loss)	**(16,627,371)**	**(16,089,036)**	**(17,840,321)**	**(19,699,578)**	**(19,646,823)**	**(19,710,859)**	**(20,917,995)**	**(21,686,815)**	**(21,888,024)**	**(21,612,622)**
Non-operating revenues										
Interest income	28,586	15,661	25,093	189,101	18,089	12,421	12,459	19,767	27,091	46,215
Local Operating Grants	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,470,218	9,267,866	8,330,396	8,629,203	8,859,197
Federal operating grants	5,432,502	9,309,233	11,066,332	3,586,106	7,181,627	8,358,434	7,199,439	7,082,154	6,540,102	6,784,749
Member agency contributions	3,820,307	3,145,691	3,145,691	3,322,009	3,286,384	3,524,379	3,505,896	3,291,906	3,294,929	3,371,198
Other Transportation Revenue - LA County	0	0	0	0	0	0	1,900,000	0	0	0
Other non-operating revenues/(expenses)	(67,736)	37,639	(230,922)	(228,896)	(510,702)	105,053	68,322	142,995	255,567	16,513
Total non operating revenues	**15,646,356**	**17,817,052**	**19,800,369**	**14,366,135**	**18,847,842**	**21,470,505**	**21,953,982**	**18,867,218**	**18,746,892**	**19,077,872**
Capital Contributions										
Capital Grants	957,640	797,250	801,621	755,440	8,603,484	16,444,223	2,444,217	5,092,772	3,588,011	1,035,693
Member contributions	460,893	460,896	460,896	460,896	460,896	0	460,896	460,898	460,898	460,896
Total capital contributions	**1,418,533**	**1,258,146**	**1,262,517**	**1,216,336**	**9,064,380**	**16,444,223**	**2,905,113**	**5,553,670**	**4,048,909**	**1,496,589**
Change in net position	**437,518**	**2,986,162**	**3,222,565**	**(4,117,107)**	**8,265,399**	**18,203,869**	**3,941,100**	**2,734,073**	**907,777**	**(1,038,161)**
Net position, beg of year	38,612,188	38,166,388	41,868,715	44,487,219	40,370,112	48,635,511	66,839,380	69,991,632	72,725,705	73,633,482
Adj to Net Position	0	0	0	0	0	0	(788,848)	0	0	0
Net position, end of year	**$39,049,706**	**$41,152,550**	**$45,091,280**	**$40,370,112**	**$48,635,511**	**$66,839,380**	**$69,991,632**	**$72,725,705**	**$73,633,482**	**$72,595,321**

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.

All adjustments were entered and reflected in the Audited Financial Statements for the Year Ended June 30, 2011; no further exceptions related to these adjustments were noted in subsequent years.

Note (b)

During the fiscal year ended June 30, 2015, AVTA implemented GASB 68, Accounting and Financial Reporting for Pensions, and recorded a net pension liability associated with CalPERS. An entry was made to adjust the net position as of June 30, 2014 to reflect the net difference between the net pension liability of $873,416 and the deferred outflows, $84,568. The adjustment of $788,848 is shown above as a separate line item above.

Source: Finance Department

10 Year Schedule of Proportionate Share of the Net Pension Liabilities, Last Ten Fiscal Years(1)(2)(3)

Fiscal Year, as of June 30th -->	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Measurement Date								6/30/2014	6/30/2015	6/30/2016
Plan's Proportion of net pension liability								0.010273%	0.009164%	0.010180%
Plan's proportionate share of net pension liability								$ 639,229	$ 629,016	$ 880,874
Plan's covered-employee payroll[4]								$ 2,304,600	$ 2,473,677	$ 2,602,471
Plan's proportionate share of the net pension liability as a percentage of covered employee payroll								27.74%	25.43%	33.85%
Plan's fiduciary net position as a percentage of the plan's total pension liability								79.82%	78.40%	74.06%

Schedule of Plan Contributions

Contributions for the year ended	6/30/2015	6/30/2016	6/30/2017
Actuarially determined contribution	$ 252,350	$ 208,456	$ 226,757
Contributions in relation to the actuarially determined contribution	$ 252,350	$ 208,456	$ 226,757
Contribution deficiency/(excess)	$ -	$ -	$ -
Plan's covered-employee payroll[5]	$ 2,473,677	$ 2,602,471	$ 2,548,087
Contributions as a percentage of covered-employee payroll	10.20%	8.01%	8.90%

Illustration Notes

(1) During the fiscal year ended June 30, 2015, AVTA implemented GASB 68, Accounting and Financial Reporting for Pensions, and recorded a net pension liability associated with CalPERS. An entry was made to restate Unrestricted Net Position as of June 30, 2014, to reflect the difference between the net pension liability of $873,416 and the deferred outflow of the pension plan assumption difference of $84,568, a net of $788,848.

(2) Information provided by actuarial pension consultants.

(3) Fiscal year 2015 was the first year of implementation, therefore only 3 years are shown.

(4) For the year of the measurement date.

(5) For the fiscal year ending on the date shown.

(6) Per GASB 68 Accounting Valuation Report dated June 30, 2017 with Measurement Date of June 30, 3016, there were no changes in assumptions (from the 2015 figures.

Actuarial Notes to Schedule:

Actuarial valuation date	June 30, 2015[6]
Actuarial Cost Method	Entry age normal

Actuarial Assumptions:

Discount Rate	7.5%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.5% net of expenses
Mortality Tables	Derived from CalPERS' data
Post Retirement Benefit Increases	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

R E V E N U E   C A P A C I T Y

R E V E N U E S O U R C E S

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Passenger Fares	$	$ 4,497,172	$ 4,582,997	$ 3,746,050	$ 4,283,321	$ 4,686,665	$ 4,832,800	$ 4,913,641	$ 4,844,045	$ 5,317,988	$ 5,041,398
	% of total	20.9%	19.4%	15.1%	21.6%	14.4%	11.3%	17.0%	16.4%	18.8%	19.6%
Local Operating Grants MTA		6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,470,218	8,342,387	8,330,396	8,629,203	8,859,197
" " - LA County		-	-	-	-	-	-	1,900,000	-	-	-
Local Operating Grants	$	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,470,218	10,242,387	8,330,396	8,629,203	8,859,197
	% of total	29.8%	22.4%	23.4%	37.7%	27.2%	22.2%	35.5%	28.1%	30.5%	34.4%
Federal Operating Grants		5,432,502	9,309,233	11,066,332	3,586,106	7,181,627	8,358,434	7,199,439	7,082,154	6,540,102	6,784,749
Federal Capital Grants		957,640	797,250	801,621	755,440	8,603,484	16,444,223	2,444,217	5,092,772	3,588,011	1,035,693
Federal Grants	$	$ 6,390,142	$ 10,106,483	$ 11,867,953	$ 4,341,546	$ 15,785,111	$ 24,802,657	$ 9,643,656	$ 12,174,926	$ 10,128,113	$ 7,820,442
	% of total	29.6%	42.7%	47.8%	21.9%	48.4%	58.0%	33.4%	41.1%	35.8%	30.4%
Operating Contributions	$	3,820,307	3,145,691	3,145,691	3,322,009	3,286,384	3,524,379	3,505,896	3,291,906	3,294,929	3,371,198
	% of total	17.7%	13.3%	12.7%	16.7%	10.1%	8.2%	12.2%	11.1%	11.7%	13.1%
Capital Contributions	$	$ 460,893	$ 460,896	$ 460,896	$ 460,896	$ 460,896	$ -	$ 460,896	$ 460,898	$ 460,898	$ 460,896
	% of total	2.1%	1.9%	1.9%	2.3%	1.4%	0.0%	1.6%	1.6%	1.6%	1.8%
Interest		28,586	15,661	25,093	189,101	18,089	12,421	12,459	19,767	27,091	46,215
Other non-operating revenues/(expenses)		(67,736)	37,639	(230,922)	(228,896)	(510,702)	105,051	68,322	499,361	421,765	121,024
Other	$	(39,150)	53,300	(205,829)	(39,795)	(492,613)	117,472	80,781	519,128	448,856	167,239
	% of total	-0.2%	0.2%	-0.8%	-0.2%	-1.5%	0.3%	0.3%	1.8%	1.6%	0.7%
Total	$	$ 21,562,061	$ 23,658,195	$ 24,808,936	$ 19,865,792	$ 32,598,887	$ 42,747,526	$ 28,847,257	$ 29,621,299	$ 28,279,987	$ 25,720,370
	% of total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: AVTA Finance Department

DEMOGRAPHIC AND STATISTICAL INFORMATION

Consumer Price Index [1]	Index Year 1984 = 100										
Year -->	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Index	207.30	215.30	214.50	218.10	224.90	229.60	232.96	236.74	236.53	240.01	246.82
Change	2.8%	3.9%	-0.4%	1.7%	3.1%	2.1%	1.5%	1.6%	-0.1%	1.5%	2.8%

Comparative Average Household Income[2]

United States [3]	$69,756	$69,756	$65,888	$64,766	$64,548	$65,153	$65,986	$68,260	$74,165
California	$77,091	$74,056	$71,184	$69,004	$68,355	$69,419	$71,097	$73,581	$84,669
Los Angeles	$76,644	$79,130	$72,785	$69,436	$69,399	$74,235	$71,022	$77,100	$72,807
Santa Clarita	$114,349	$118,531	$107,510	$99,264	$99,392	$99,124	$96,665	$97,970	$101,871
Palmdale	$71,547	$74,596	$72,369	$66,580	$67,659	$68,837	$66,390	$72,515	$73,482
Ridgecrest	$72,420	$76,501	$67,654	$65,694	$63,556	$66,423	$69,885	$77,253	$76,359
Lancaster	$65,810	$68,246	$65,375	$61,215	$61,677	$63,100	$61,996	$64,090	$66,634
Rosamond	$66,730	$71,073	$64,697	$59,124	$59,212	$59,732	$60,710	$52,832	$71,405
Tehachapi	$53,433	$56,142	$51,448	$52,375	$52,177	$57,311	$58,464	$80,151	$81,551
California	$66,695	$70,401	$65,755	$58,487	$58,513	$55,823	$59,167	$62,125	$64,952

Comparative Populations [4]

Antelope Valley	476,845	483,998	486,414	482,017	507,220	513,547	520,690	538,789	530,564
Atlanta	500,638	529,400	541,696	537,014	422,343	443,261	455,895	455,895	472,522
Las Vegas	569,201	566,225	584,313	588,370	596,328	603,488	613,527	623,747	636,912
Miami	419,237	429,888	401,054	412,464	416,952	421,410	431,376	441,003	453,579
Portland			585,427	594,115	603,366	610,055	620,420	632,309	639,863
St. Louis			998,792	999,016	1,000,775	1,001,295	1,002,188	1,003,362	1,003,000
Tucson	531,464	537,173	521,648	524,974	526,510	528,119	530,454	531,641	530,706

Sources:

(1) Bureau of Labor Statistic annual average data. 2017 Data is through August.

(2) Greater Antelope Valley Economic Alliance (GAVEA). Information in these categories iwas not vailable prior to 2008.

(3) U.S. Statistical Atlas.

(2) U.S. Census Data.

DEMOGRAPHIC AND STATISTICAL INFORMATION

Antelope Valley Population by Race (2)

	2009	2010	2011	2012	2013	2014	2015	2016
Caucasian	59.3%	59.0%	58.3%	55.5%	54.5%	54.0%	53.4%	52.8%
Black/African American	14.3%	14.2%	14.4%	13.8%	14.0%	14.3%	14.4%	14.4%
American Indian/Alaska Native	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Asian	3.4%	3.4%	3.5%	3.7%	3.6%	3.7%	3.7%	3.9%
Native Hawaiian/Pacific Islander	0.2%	0.2%	0.2%	24.0%	0.3%	0.2%	0.2%	0.2%
Other Races	16.5%	16.7%	17.0%	20.5%	21.1%	21.3%	21.7%	22.0%
Two or More Races	5.4%	5.6%	5.6%	5.2%	5.5%	5.5%	5.5%	5.6%

Principle Employers in the Antelope Valley (2)

Edwards Air Force Base	12,515	10,610	10,808	-	10,647	10,647	11,990	11,457
China Lake Naval Weapons	6,080	6,734	9,172	-	9,172	6,690	6,520	6,520
Northrup Grumman	2,300	2,611	2,573	-	2,772	2,100	4,020	4,200
County of Los Angeles	3,757	3,953	3,953	-	3,743	3,743	3,912	4,136
Lockheed Martin	3,320	3,100	3,000	-	2,712	3,700	3,000	3,700
Antelope Valley Hospital	2,561	2,722	2,619	-	2,300	2,300	2,600	2,500
AV Union High School District	2,106	1,911	2,037	-	2,689	1,116	2,500	2,500
Wal-Mart (5 Stores)	2,150	2,054	1,922	-	1,922	1,922	1,922	1,922
Palmdale School District	2,728	2,739	2,682	-	2,682	1,792	2,001	1,792
Tehachapi State prison	1,957	1,846	1,915	-	1,915	1,671	1,462	1,462

(2) Greater Antelope Valley Economic Alliance (GAVEA). Information in these categories iwas nota vailable prior to 2009.

(3) Note: 2012 data not reported In GAVEA materials.

OPERATING INFORMATION

RIDERSHIP BY MODE

	Local Transit	Commuter Service	TRANSporter[1]	Demand Response	Total
2008	2,688,791	317,564	-	34,261	3,040,616
2009	2,395,106	288,195	-	33,465	2,716,766
2010	2,542,195	202,105	-	31,066	2,775,366
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
2014	3,276,651	292,556	37,150	26,380	3,632,737
2015	3,092,101	298,635	39,937	31,824	3,462,497
2016	2,714,344	288,529	30,882	41,711	3,075,466
2017	2,253,645	251,089	29,948	41,839	2,576,521

(1) TRANSporter service inaugurated August 2012.

Sources: AVTA Operations & Maintenance Department

OPERATING INFORMATION

FIXED ROUTE STATISTICS: SERVICE

		Service Consumption	Service Supplied		
	Passenger Fares ($)	Annual Unlinked Trips	Annual Revenue Miles	Annual Vehicle Revenue Hours	Buses in Maximum Service(1)
2008	$4,497,172	3,016,959	2,502,659	148,363	57
2009	$4,582,997	3,028,623	2,571,728	153,852	57
2010	$3,746,050	2,796,107	2,970,430	181,296	58
2011	$4,283,321	2,854,237	3,075,106	190,022	58
2012	$4,686,665	2,880,423	3,010,030	181,497	58
2013	$4,832,800	3,493,239	2,992,523	174,231	59
2014	$4,913,641	3,606,357	2,837,649	167,213	62
2015	$4,844,045	3,468,769	3,313,968	174,310	62
2016	$5,317,988	3,033,755	3,066,441	175,783	64
2017	$5,041,398	2,576,521	3,416,580	176,861	70

FIXED ROUTE STATISTICS: EFFICIENCY AND EFFECTIVENESS

	Service Efficiency		Cost Effectiveness		Service Effectiveness	
	Operating Cost per Revenue Mile	Operating Cost per Revenue Hour	Operating Cost per Passenger Mile	Passengers per Revenue Hour	Passengers per Revenue Mile	Passenger Revenue Per Revenue Hour
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
2014	$5.46	$153.01	$5.46	3.30	0.12	$11.45
2015	$4.48	$92.44	$4.48	2.11	0.10	$4.45
2016	$6.19	$110.36	$5.29	2.49	0.89	$27.41
2017	$6.67	$128.89	$5.50	2.35	0.75	$28.50

Source: AVTA Operations.

OPERATING INFORMATION

AVTA EMPLOYEE HEADCOUNTS

	2008	2009	2010	2011	2012[1]	2013	2014	2015	2016	2017
Full Time	25	26	68	68	31	31	31	31	34	34
Part Time	3	1	5	7	8	8	8	7	6	6
Total	28	27	73	75	39	39	39	38	40	40

(1) Fleet maintenance staff was out-sourced from January 2010 until January 2012.

Source: AVTA Finance Department

CAPITAL ASSET STATISTICS - REVENUE FLEET

	2008	2009	2010	2011	2012(1)	2013	2014	2015	2016	2017
Local Transit	46	46	46	44	43	43	43	41	45	45
Commuter	31	31	31	25	25	28	28	30	30	30
Dial-a-Ride	23	26	14	14	1	-	-	-	-	-
Total Assets	100	103	91	83	69	71	71	71	75	75

(1) Dial-A-Ride Service was out-sourced in January 2012. The DAR fleet was subsequently transferred or sold.

Source: AVTA Operations & Maintenance Department.