

ANTELOPE VALLEY TRANSIT AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

**ANTELOPE VALLEY TRANSIT AUTHORITY
JUNE 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Notes to Basic Financial Statements.....	13
Required Supplementary Information:	
California Public Employees' Retirement System – Schedule of AVTA's Proportionate Share of the Net Pension Liability	28
California Public Employees' Retirement System – Schedule of Contributions	29



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Antelope Valley Transit Authority
Lancaster, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Antelope Valley Transit Authority (AVTA) as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise AVTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of AVTA as of June 30, 2019, and the respective changes in financial position, and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, California Public Employees' Retirement System – Schedule of AVTA's Proportionate Share of the Net Pension Liability and the California Public Employees' Retirement System – Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

The financial statements as of June 30, 2018, were audited by other auditors, whose report dated November 27, 2018, expressed an unmodified opinion on these statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of AVTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AVTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVTA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 9, 2019

**ANTELOPE VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018**

The management of the Antelope Valley Transit Authority (AVTA, Authority) 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, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying the basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- AVTA's cash and investments at fiscal year-end June 30, 2019 was \$23,857,264.
- Due from governments at June 30, 2019 was \$7,731,510; of this, \$2,526,612 was due from the Federal Transit Administration, \$2,142,087 was from the Los Angeles Metropolitan Transportation Authority, and \$1,879,051 is from the State of California.
- As of June 30, 2019, capital assets not subject to depreciation include \$1,816,616 in land value and \$8,852,311 in construction projects still in progress; capital assets being depreciated were \$120,173,217.
- Total revenues, including capital contributions, from all sources were \$43,187,893, reflecting an increase of \$6,565,286, or a 18% increase from the previous fiscal year.
- The total costs of all AVTA's transit services and projects, excluding depreciation expense, were \$25,357,003, reflecting an increase of \$778,817, or a 3.2% increase over prior fiscal year.
- The excess of revenues over expenses from all sources of AVTA's transit services and projects, including depreciation expense, was \$11,352,870. For the prior fiscal year, revenues exceeded total costs by \$7,811,239.
- Member jurisdictions contributed \$3,145,689 in support of transit service operations plus an additional \$162,410 for maintenance of bus stops. Member jurisdictions further contributed a total of \$460,894 for non-operating capital reserves.
- As of June 30, 2019 the net pension plan liability balance is \$1,071,984 reflecting a decrease of \$27,917 from the prior year.
- AVTA's net position (the extent that assets exceeds liabilities) at the close of the fiscal year 2019 was \$91,759,430. Of this amount, \$74,420,035 reflects the net amount of funds invested in capital assets. The accumulation of restricted jurisdictional contributions to a capital reserve totals \$5,517,936. The remaining \$11,821,459 is unrestricted, and may be used to meet AVTA's ongoing financial obligations.

FINANCIAL STATEMENT OVERVIEW

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 following reports comprise AVTA's financial statements:

Statement of Net Position. Presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 non-financial 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 assets changed during the two most recent fiscal years. All changes in net assets 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.

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

Table 1 - Statements of Net Position- Year to Year Comparison

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS			
Assets			
Capital Assets, Net	\$ 74,420,035	\$ 55,209,273	\$ 54,815,693
All Other Assets	<u>32,704,901</u>	<u>32,626,384</u>	<u>23,744,511</u>
Total Assets	<u>107,124,936</u>	<u>87,835,657</u>	<u>78,560,204</u>
Deferred Outflows of Resources			
Pension Plan Contributions and Actuarial Changes	<u>677,049</u>	<u>843,132</u>	<u>888,674</u>
Liabilities			
Current Liabilities	14,574,606	6,839,320	5,499,215
Long-term Liabilities	<u>1,413,475</u>	<u>1,361,113</u>	<u>1,211,944</u>
Total Liabilities	<u>15,988,081</u>	<u>8,200,433</u>	<u>6,711,159</u>
Deferred Inflows of Resources			
Pension Plan Assumption Differences	<u>54,474</u>	<u>71,796</u>	<u>142,398</u>
Net Position			
Net Investment in Capital Assets	74,420,035	55,209,273	54,815,693
Restricted for Capital Acquisition	5,517,936	6,917,826	6,364,214
Unrestricted	<u>11,821,459</u>	<u>18,279,461</u>	<u>11,415,414</u>
Total Net Position	<u>\$ 91,759,430</u>	<u>\$ 80,406,560</u>	<u>\$ 72,595,321</u>

Discussion of Statement of Net Position. AVTA experienced an increase in total assets from 2018 to 2019 of over 22%. This is primarily due to the addition of 19 new electric buses to our fleet as well as infrastructure for electric charging. AVTA is striving to switch all diesel buses to electric by the completion of 2020. The complexities of infrastructure have put AVTA in to a position where some diesel buses had to be retained for the fiscal 2019 year while infrastructure was completed, therefore no reduction of rolling stock assets were recognized during fiscal 2019. The old diesel buses are set to be auctioned off in fiscal 2020.

The implementation of GASB Statement No. 68 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). Always one year in arrears, the figures reflected in the statements of net position for the Authority's pension liability have decrease slightly due to stronger market values of pension funds.

Notably, AVTA's liabilities have more than doubled during the 2019 fiscal year. This is overwhelmingly due to a demonstration project from the Authority's provider of electric buses, BYD. BYD had provided AVTA with 10 sixty-foot articulated buses for demonstration project as of June 30, 2019. These buses have been on-route, however AVTA is not yet obligated to pay until the completion of the demonstration period and thus must record the liability. Sufficient capital grant funding has been awarded to AVTA to cover 100% of the cost of these buses once the demonstration project is over.

Unrestricted net assets of \$11,821,459 are available to meet AVTA's ongoing financial obligations, and \$5,517,936 in restricted net position is for the replacement of capital assets are available to serve as local match requirements for transit fleet procurement. Approximately \$1.4 million of the jurisdictional capital reserve was used in fiscal 2019 toward the acquisition of electric buses. The replacement units planned for acquisition in fiscal years 2020 and beyond will make use of these capital reserve funds.

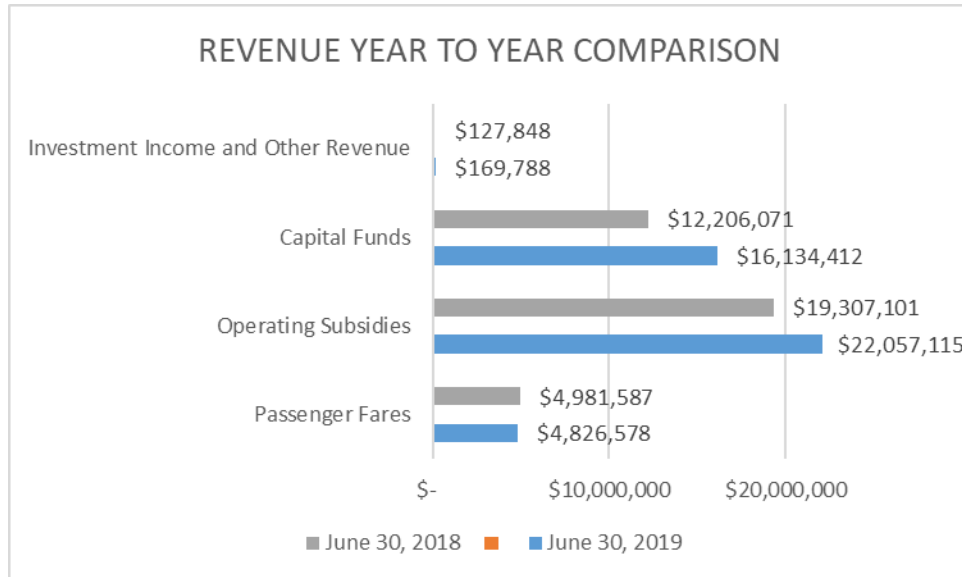
Overall, the Authority has seen a 14% increase in Net Position in fiscal 2019. AVTA anticipates continued grant funding, primarily from the state of California, for the replacement and possible expansion of the local transit fleet in years to come.

REVENUE AND EXPENSES: CHANGES IN NET POSITION

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues			
Passenger Fares	\$ 4,826,578	\$ 4,981,587	\$ 5,041,398
Nonoperating funds	22,057,115	19,307,101	19,031,657
Capital Funds	16,134,412	12,206,071	1,496,589
Investment Income and Other Revenue	<u>169,788</u>	<u>127,848</u>	<u>46,215</u>
Total Revenues	<u>43,187,893</u>	<u>36,622,607</u>	<u>25,615,859</u>
Expenses			
Purchased Transportation Services			
Outside Transit Contract	16,860,871	16,069,098	15,191,275
Fuel	2,036,716	2,228,593	1,882,075
E-Bus Energy Consumption	411,704	222,115	-
Other Operating Costs	1,010,306	902,306	837,546
General and Administrative	<u>5,037,406</u>	<u>5,156,074</u>	<u>4,720,280</u>
Subtotal Expenses Before Depreciation	<u>25,357,003</u>	<u>24,578,186</u>	<u>22,631,176</u>
Depreciation	<u>6,478,020</u>	<u>4,233,182</u>	<u>4,022,844</u>
Total Expenses Including Depreciation/Interest	<u>31,835,023</u>	<u>28,811,368</u>	<u>26,654,020</u>
Change in Net Position	11,352,870	7,811,239	(1,038,161)
Net Position			
Beginning of Year, as restated	<u>80,406,560</u>	<u>72,595,321</u>	<u>73,633,482</u>
End of Year	<u>\$ 91,759,430</u>	<u>\$ 80,406,560</u>	<u>\$ 72,595,321</u>

Figure 1 – Analysis of Revenues

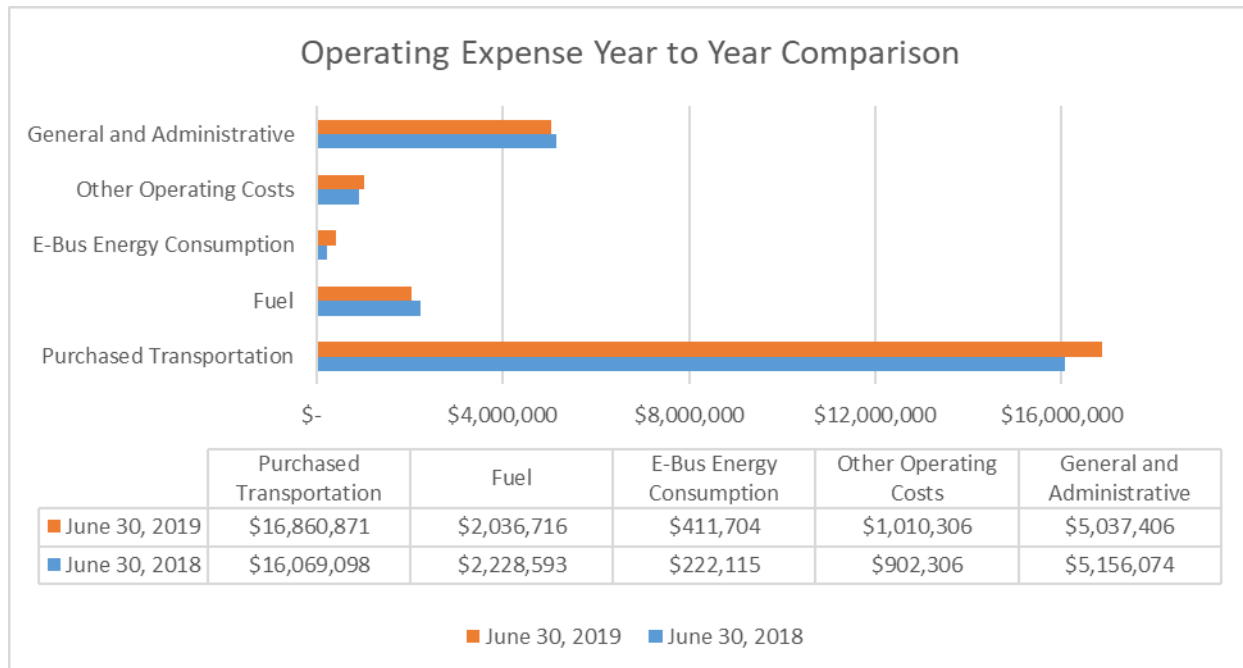


Discussion of Revenues. For the fiscal year ended June 30, 2019, AVTA’s total revenues, including capital contributions, from all sources were \$43,187,893 up \$6,565,286 or almost 18% from fiscal year 2018. Capital Grants and Contributions increased by \$3.9 million as state funding has grown specifically to fund the purchase of electric buses and the required infrastructure. Fare revenue for Fiscal Year 2019 decreased modestly (\$155,009) or 3.1% from the prior year, due to a general decrease in paid ridership numbers system-wide. AVTA receives Access Free-Fare reimbursements for vetted paratransit costumers that took trips on AVTA’s local transit services.

AVTA receives significant operation funds from local taxes and Federal operating grants. In fiscal 2019 AVTA received over \$12 million in local tax funding though Los Angeles County Metro, who facilitates the distribution of Los Angeles transportation tax funds to eligible operators. Additionally, AVTA received over \$6.6 million in operational subsidies directly from the Federal Transportation Administration.

Discussion of Expenses. AVTA’s operating expenses are reported in the following major categories: purchased transportation services, fuel, E-bus energy consumption, other operating expenses, and general and administrative expenses. The comparative level of expenditures for each operating expense category for Fiscal Year 2019 and Fiscal Year 2018 are shown in Figure 2 below.

Figure 2 – Comparative Operating Expense, Fiscal Years 2019 and 2018



Total operating expenses (expenses net of depreciation) were \$25.4 million and \$24.6 million for Fiscal Years 2019 and 2018, respectively, keeping expenses relatively level year to year.

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 \$791,000 due to annualized contract increases that occur January 1st of every year.

Fuel in this chart is used to describe traditional fuels of diesel and unleaded. Fuel costs have begun to decrease as AVTA’s electric fleet begins to grow. Fiscal 2019 saw a decrease of approximately \$192 thousand from the prior fiscal year. For the second year AVTA has chosen to separate the E-Bus Energy consumption as its own operating cost. This represents the electricity strictly used to propel the electric buses. As anticipated, electricity costs have risen significantly. The turnover of the fleet from diesel to electric has put AVTA in a position to retain more diesel buses than initially anticipated while e-bus charging infrastructure is completed. In fiscal 2020 AVTA anticipates significant reduction in costs of traditional fuel types and is working on a solar agreement to help off-set the electricity costs in the future.

Other operating costs for Fiscal Year 2019 increased by \$108,000 from the prior year. Much of the increase is due to higher expenses in software licenses, utilities and other costs.

General & administrative expenses in Fiscal Year 2019 were \$5 million, \$118,668 lower than Fiscal Year 2018, evenly split between expenses and personnel costs.

In addition to these operating expenses depreciation expense increased \$2.2million from fiscal 2018 as more assets are added.

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, 2019, unrestricted net position is \$11.8 million, a decrease of (\$6.5 million) over the prior year; the biggest contributor to this reduction was significant increase in liabilities due for the 60ft articulated buses AVTA uses. Funds restricted for capital acquisition are \$5.5 million, a decrease of \$1.4 million from capital reserve contributions for the fiscal year ended June 30, 2019. The decrease is due to the purchase of electric buses and the use of capital reserve savings to offset some of the costs.

CAPITAL ASSETS

The details of the Authority's investment in capital assets as of June 30, 2019 and June 30, 2018 are presented in Figure 3.

Table 3 – Capital Assets net of Accumulated Depreciation

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Land	\$ 1,816,616	\$ -	\$ -	\$ 1,816,616
Construction in Progress	6,286,281	3,637,388	(1,071,358)	8,852,311
Buildings	40,257,195	971,293	-	41,228,488
Equipment	12,162,999	121,522	(2,310,991)	9,973,530
Transportation Equipment	47,779,996	22,035,850	(844,647)	68,971,199
Total Capital Assets	108,303,087	26,766,053	(4,226,996)	130,842,144
Less Accumulated Depreciation/Amortization	<u>(53,093,814)</u>	<u>(6,478,020)</u>	<u>3,149,725</u>	<u>(56,422,109)</u>
Total Assets, Net of Depreciation/Amortization	<u>\$ 55,209,273</u>	<u>\$ 20,288,033</u>	<u>\$ (1,077,271)</u>	<u>\$ 74,420,035</u>

As of June 30, 2019, the Authority had a book value of \$74.4 million invested in capital assets. This total represents a net increase of \$19.2 million. The increase is primarily attributable to the purchase of 19 electric buses during fiscal 2019 as shown with the \$22 million dollar increase in assets.

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.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Antelope Valley Transportation Authority, Lancaster, California 93534.

BASIC FINANCIAL STATEMENTS

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

	June 30,	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	\$ 23,857,264	\$ 20,548,649
Due from Other Governments (Note 3)	7,731,510	11,047,543
Other Receivables	153,710	321,954
Inventory	404,669	326,350
Prepaid Items	557,748	381,888
	<u>32,704,901</u>	<u>32,626,384</u>
NONCURRENT ASSETS		
Capital Assets, Depreciated, Net (Note 5)	74,420,035	55,209,273
	<u>107,124,936</u>	<u>87,835,657</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Contributions and Actuarial Changes	677,049	843,132
	<u>677,049</u>	<u>843,132</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	13,389,475	4,679,669
Accrued Payroll	76,273	48,233
Advances on Grant Revenue		
Proposition 1B (Note 4)	1,016,174	2,023,011
Other Advances	45,000	45,068
Compensated Absences (Note 6)	47,684	43,339
	<u>14,574,606</u>	<u>6,839,320</u>
NONCURRENT LIABILITIES		
Noncurrent Compensated Absences	341,491	261,212
Net Pension Liability	1,071,984	1,099,901
	<u>1,413,475</u>	<u>1,361,113</u>
Total Noncurrent Liabilities	1,413,475	1,361,113
Total Liabilities	<u>15,988,081</u>	<u>8,200,433</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Plan Assumption Differences	54,474	71,796
	<u>54,474</u>	<u>71,796</u>
NET POSITION		
Net Investment in Capital Assets	74,420,035	55,209,273
Restricted for Capital Acquisition	5,517,936	6,917,826
Unrestricted	11,821,459	18,279,461
	<u>\$ 91,759,430</u>	<u>\$ 80,406,560</u>

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	For the Year Ended June 30,	
	2019	2018
OPERATING REVENUES		
Charges for Services		
Passenger Fares	\$ 4,826,578	\$ 4,981,587
Total Operating Revenues	4,826,578	4,981,587
OPERATING EXPENSES		
Purchased Transportation Services		
Outside Transit Contract	16,860,871	16,069,098
Fuel	2,036,716	2,228,593
E-Bus Energy Consumption	411,704	222,115
Other Operating Costs	1,010,306	902,306
General and Administrative	5,037,406	5,156,074
Depreciation	6,478,020	4,233,182
Total Operating Expenses	31,835,023	28,811,368
OPERATING LOSS	(27,008,445)	(23,829,781)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	169,788	127,848
Local Operating Grants - LA Metro	12,192,195	10,882,937
Federal Operating Grants	6,575,745	5,129,240
Member Agency Contributions	3,308,099	3,306,164
Capital Related Expenses	(701,383)	(199,758)
Other	682,459	188,518
Total Nonoperating Revenues and Expenses	22,226,903	19,434,949
LOSS BEFORE CAPITAL CONTRIBUTIONS	(4,781,542)	(4,394,832)
CAPITAL CONTRIBUTIONS		
Capital Grants	15,673,518	11,745,177
Member Contributions	460,894	460,894
Total Capital Contributions	16,134,412	12,206,071
CHANGE IN NET POSITION	11,352,870	7,811,239
NET POSITION, BEGINNING OF YEAR	80,406,560	72,595,321
NET POSITION, END OF YEAR	\$ 91,759,430	\$ 80,406,560

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

**ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018**

	For the Year Ended June 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 4,994,822	\$ 4,979,078
Nonoperating Miscellaneous Cash Received	682,459	188,514
Cash Payments to Suppliers for Goods and Services	(11,863,970)	(19,265,677)
Cash Payments to Employees for Services	<u>(4,803,898)</u>	<u>(3,585,548)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(10,990,587)</u>	<u>(17,683,633)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	18,767,940	11,779,202
Contributions Received from Member Agencies	<u>3,308,099</u>	<u>3,325,010</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>22,076,039</u>	<u>15,104,212</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(26,766,053)	(4,626,763)
Proceeds from Sale of Capital Assets	1,077,271	-
Capital Grants Received	19,905,213	7,638,621
Grantable Expenses	(2,623,950)	(199,758)
Capital Contributions Received from Member Agencies	<u>460,894</u>	<u>460,894</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,946,625)</u>	<u>3,272,994</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	<u>169,788</u>	<u>127,849</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>169,788</u>	<u>127,849</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,308,615	821,422
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>20,548,649</u>	<u>19,727,227</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,857,264</u>	<u>\$ 20,548,649</u>

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	For the Year Ended June 30,	
	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (27,008,445)	\$ (23,829,781)
Adjustments to Net Cash Used by Operating Activities		
Depreciation	6,478,020	4,233,182
Miscellaneous Income	682,459	188,518
Decrease in Other Receivables	168,244	283,414
(Increase) in Inventory	(78,319)	(43,996)
(Increase) Decrease in Prepaid Items	(175,860)	20,816
Decrease in Deferred Outflows of Resources	166,083	45,542
Increase in Accounts Payable	8,709,806	1,656,883
Increase in Accrued Payroll	28,040	5,636
Increase (Decrease) in Compensated Absences Payable	84,624	(58,355)
(Decrease) in Unearned Revenue	-	(333,917)
Increase (Decrease) in Net Pension Liability	(27,917)	219,027
(Decrease) in Deferred Inflows of Resources	(17,322)	(70,602)
NET CASH USED BY OPERATING ACTIVITIES	\$ (10,990,587)	\$ (17,683,633)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

There were no noncash investing, capital, or financing activities during the years ended June 30, 2019 and 2018.

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

ANTELOPE VALLEY TRANSIT AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019
WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

AVTA is a public entity organized on July 1, 1992, pursuant to Section 6506 of the Government Code of the State of California. AVTA is governed by a Joint Powers Agreement (JPA) whose members consist of the County of Los Angeles (a political subdivision of the State of California), the City of Palmdale, and the City of Lancaster (each a municipal corporation of the State of California). The JPA provides a cost sharing agreement among its members who jointly fund their jurisdictional share of transportation services provided to the Antelope Valley. AVTA operates under a Board of Directors/Manager form of government, with the Board of Directors (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 Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants.

AVTA, for financial purposes, includes all operations of AVTA. The Board 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.

B. Basic Financial Statements

The basic financial statements (i.e., the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows) report information on all of the enterprise activities of AVTA. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related standards; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

AVTA distinguishes 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.

D. Cash and Cash Equivalents

For the purposes of the Statement 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 to 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.

E. Investments

All investments are stated at fair value. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and Agency Obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in fair value, is included in nonoperating revenues.

F. Budgetary Information

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

G. Inventory and Prepaid Items

Inventory consists of fuel in storage held for consumption and parts 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 basic financial statements.

H. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

J. 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 sick leave pay is recorded as an expense and a liability at the time the benefit is earned.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of AVTA's California Public Employees' Retirement System (CalPERS) pension plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Deferred Outflows of Resources

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

M. Deferred Inflows of Resources

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

N. Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvements of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Use of Estimates

The preparation of the accompanying basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses, 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 and assumptions utilized in the actuarially determined net pension plan liability.

P. New Accounting Pronouncements – Implemented

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for periods beginning after June 15, 2018. There was no effect on AVTA’s accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for periods beginning after June 15, 2018. There was no effect on AVTA’s accounting and financial reporting as a result of implementing this standard.

Q. Future GASB Statements

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for periods beginning after December 15, 2018. AVTA will implement GASB Statement No. 84 if and where applicable.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for periods beginning after December 15, 2019. AVTA will implement GASB Statement No. 87 if and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for periods beginning after December 15, 2019. AVTA will implement GASB Statement No. 89 if and where applicable.

GASB Statement No. 90 – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for periods beginning after December 15, 2018. AVTA will implement GASB Statement No. 90 if and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for periods beginning after December 15, 2020. AVTA will implement GASB Statement No. 91 if and where applicable.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2019 and 2018, consisted of the following:

	June 30,	
	2019	2018
Cash on hand	\$ 750	\$ 750
Deposits with financial Institutions	16,472,545	11,052,594
Investments	7,383,969	9,495,305
Total Cash and Cash Equivalents	<u>\$ 23,857,264</u>	<u>\$ 20,548,649</u>

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**Investments Authorized by the California Government Code and AVTA's Investment Policy**

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
Bankers' 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.

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, 2019 and 2018.

Disclosures Relating to Interest Risk

Interest rate risk arises for investments depending how sensitive the absolute level of interest rate is. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**Disclosures Relating to Interest Risk** (Continued)

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 as of June 30, 2019 and 2018:

2019		Remaining Maturity (in Months)
<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>
Local Agency Investment Fund (LAIF)	\$ 5,517,936	\$ 5,517,936
Money Market Fund	1,866,033	1,866,033
Total	<u>\$ 7,383,969</u>	<u>\$ 7,383,969</u>
2018		Remaining Maturity (in Months)
<u>Investment Type</u>	<u>Total</u>	<u>12 Months or Less</u>
Local Agency Investment Fund (LAIF)	\$ 6,917,339	\$ 6,917,339
Money Market Fund	2,577,966	2,577,966
Total	<u>\$ 9,495,305</u>	<u>\$ 9,495,305</u>

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

AVTA's money market fund is highly liquid and, therefore, considered as cash equivalents. As of June 30, 2019, the money market fund makes up approximately 16.3% of AVTA's portfolio, which exceeds AVTA's investment policy of 15% maximum limit. As of June 30, 2018, the money market fund makes up approximately 27% of AVTA's portfolio, which exceeds AVTA's investment policy of 15% maximum limit.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2019 and 2018, 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 and the money market do not have a rating provided by a nationally recognized statistical rating organization.

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, 2019 and 2018, except for its investments in LAIF and Wells Fargo Bank, AVTA did not have any investments in any one issuer that represented 5% or more of its total investment portfolio.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

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.

Investment in State Investment Pool

AVTA is a voluntary participant in the California State Treasurer's 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 basic 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 is 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 at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Federal Grants	\$ 2,526,612	\$ 6,922,691
State Grants	3,019,811	3,568,276
Local Grants - MTA	2,142,087	556,576
Operating Contribution		
City of Lancaster	20,250	-
City of Palmdale	17,250	-
LA County	5,500	-
	<u>7,731,510</u>	<u>11,047,543</u>
Total Due From Other Governments	<u>\$ 7,731,510</u>	<u>\$ 11,047,543</u>

NOTE 4 – ADVANCES

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 years ended June 30, 2019 and 2018, was as follows:

Unspent PTMISEA Cash Receipts as of June 30, 2017	\$ 2,395,496
PTMISEA Funds Received During the Year Ended June 30, 2018	-
PTMISEA Expenses Incurred During the Year Ended June 30, 2018	<u>(372,485)</u>
Unspent PTMISEA Cash Receipts as of June 30, 2018	2,023,011
PTMISEA Funds Received During the Year Ended June 30, 2019	915,662
PTMISEA Expenses Incurred During the Year Ended June 30, 2019	<u>(1,922,499)</u>
Unspent PTMISEA Cash Receipts as of June 30, 2019	<u><u>\$ 1,016,174</u></u>

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019 and 2018, are shown below.

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019
Capital Assets, Not Being Depreciated:				
Land	\$ 1,816,616	\$ -	\$ -	\$ 1,816,616
Construction-in-Progress	6,286,281	3,637,388	(1,071,358)	8,852,311
Total Capital Assets, Not Being Depreciated	<u>8,102,897</u>	<u>3,637,388</u>	<u>(1,071,358)</u>	<u>10,668,927</u>
Capital Assets Being Depreciated:				
Buildings	40,257,195	971,293	-	41,228,488
Equipment	12,162,999	121,522	(2,310,991)	9,973,530
Transportation Equipment	47,779,996	22,035,850	(844,647)	68,971,199
Total Capital Assets, Being Depreciated	<u>100,200,190</u>	<u>23,128,665</u>	<u>(3,155,638)</u>	<u>120,173,217</u>
Less Accumulated Depreciation:				
Buildings	(11,021,897)	(1,603,148)	-	(12,625,045)
Equipment	(10,733,459)	(625,802)	2,305,078	(9,054,183)
Transportation Equipment	(31,338,458)	(4,249,070)	844,647	(34,742,881)
Total Accumulated Depreciation	<u>(53,093,814)</u>	<u>(6,478,020)</u>	<u>3,149,725</u>	<u>(56,422,109)</u>
Total Capital Assets, Being Depreciated, Net	<u>47,106,376</u>	<u>16,650,645</u>	<u>(5,913)</u>	<u>63,751,108</u>
Capital Assets, Net	<u><u>\$ 55,209,273</u></u>	<u><u>\$ 20,288,033</u></u>	<u><u>\$ (1,077,271)</u></u>	<u><u>\$ 74,420,035</u></u>

Depreciation expense for the year ended June 30, 2019, was \$6,478,020.

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Capital Assets, Not Being Depreciated:				
Land	\$ 1,816,616	\$ -	\$ -	\$ 1,816,616
Construction-in-Progress	10,285,830	866,558	(4,866,107)	6,286,281
Total Capital Assets, Not Being Depreciated	12,102,446	866,558	(4,866,107)	8,102,897
Capital Assets Being Depreciated:				
Buildings	34,858,963	5,398,232	-	40,257,195
Equipment	11,783,464	379,535	-	12,162,999
Transportation Equipment	44,931,452	2,848,544	-	47,779,996
Total Capital Assets, Being Depreciated	91,573,879	8,626,311	-	100,200,190
Less Accumulated Depreciation:				
Buildings	(9,666,537)	(1,355,360)	-	(11,021,897)
Equipment	(10,107,955)	(625,504)	-	(10,733,459)
Transportation Equipment	(29,086,140)	(2,252,318)	-	(31,338,458)
Total Accumulated Depreciation	(48,860,632)	(4,233,182)	-	(53,093,814)
Total Capital Assets, Being Depreciated, Net	42,713,247	4,393,129	-	47,106,376
Capital Assets, Net	\$ 54,815,693	\$ 5,259,687	\$ (4,866,107)	\$ 55,209,273

Depreciation expense for the year ended June 30, 2018, was \$4,233,182.

NOTE 6 – COMPENSATED ABSENCES

A schedule of changes in compensated absences for the year ended June 30, 2019 and 2018, are shown below:

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amount Due Within One Year
Compensated Absences	\$ 304,551	\$ 436,858	\$ 352,234	\$ 389,175	\$ 47,684
	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amount Due Within One Year
Compensated Absences	\$ 362,906	\$ 304,551	\$ 362,906	\$ 304,551	\$ 43,339

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS)

General Information about the Pension Plan

Plan Description – All qualified employees are eligible to participate in AVTA’s Miscellaneous Employee Pension Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and AVTA resolution. CalPERS issues publicly available reports that include a full description of the Plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website. Eligible employees hired after January 1, 2013, that are considered new members as defined by the Public Employees’ Pension Reform Act (PEPRA) are participating in the PEPRA Miscellaneous Plan.

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited services. Members with five years of total service are eligible to retire at age 50 or 52 if in the PEPRA Miscellaneous Plan with statutorily benefits. An optional benefit regarding sick leave was adopted. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit. The COLAs for the Plan are applied as specified by the Public Employees’ Retirement Law.

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Prior to January 1, 2013 (Classic Members)	On or after January 1, 2013 (PEPRA Members)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Retirement age monthly benefits as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	8.89%	6.84%

The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Prior to January 1, 2013 (Classic Members)	On or after January 1, 2013 (PEPRA Members)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Retirement age monthly benefits as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	8.89%	6.84%

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. AVTA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the years ended June 30, 2019 and 2018, the contributions recognized as part of pension expense for the Plan were as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Miscellaneous Classic	\$ 175,933	\$ 175,711
Miscellaneous PEPRA	<u>88,645</u>	<u>59,483</u>
	<u>\$ 264,578</u>	<u>\$ 235,194</u>

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

AVTA’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. As of June 30, 2019 and 2018, AVTA reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of the Net Pension Liability</u>	
	<u>For the Year Ended June 30, 2019</u>	<u>For the Year Ended June 30, 2018</u>
Miscellaneous	\$ 1,071,984	\$ 1,099,901

For the years ended June 30, 2019 and 2018, the net pension liability of the Plan is measured as of June 30, 2018 and 2017, using an annual actuarial valuation as of June 30, 2017 and 2016, rolled forward to June 30, 2018 and 2017, using standard update procedures.

AVTA’s proportion of the net pension liability was based on a projection of its long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. AVTA’s proportionate share of the net pension liability for the Plan with an actuarial valuation date of June 30, 2018 and 2017, was as follows:

	<u>For the Year Ended June 30, 2019</u>		<u>For the Year Ended June 30, 2018</u>
	<u>Miscellaneous</u>		<u>Miscellaneous</u>
Proportion - June 30, 2018	0.01109%	Proportion - June 30, 2017	0.01018%
Proportion - June 30, 2019	<u>0.01112%</u>	Proportion - June 30, 2018	<u>0.01109%</u>
Change - Increase (Decrease)	<u>-0.00003%</u>	Change - Increase (Decrease)	<u>0.00090%</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued)

For the years ended June 30, 2019 and 2018, AVTA recognized pension expense of \$385,422 and \$429,161, respectively. At June 30, 2019 and 2018, AVTA reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

2019	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 41,130	\$ (13,997)
Changes of Assumptions	122,209	(29,951)
Net Difference Between Projected and Actual Earnings on Plan Investments	5,300	-
Change in Employer's Proportion	185,557	(10,526)
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	58,275	-
Pension Contributions Subsequent to Measurement Date	<u>264,578</u>	<u>-</u>
	<u>\$ 677,049</u>	<u>\$ (54,474)</u>
2018	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,943	\$ 27,844
Changes of Assumptions	241,136	18,387
Net Difference Between Projected and Actual Earnings on Plan Investments	54,535	-
Change in Employer's Proportion	219,193	25,565
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	91,131	-
Pension Contributions Subsequent to Measurement Date	<u>235,194</u>	<u>-</u>
	<u>\$ 843,132</u>	<u>\$ 71,796</u>

\$264,578 reported as deferred outflows of resources related to pensions 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, 2020. Other amounts reported as deferred outflows of resources will be amortized into pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 213,113
2021	154,601
2022	(74)
2023	(9,643)
2024	<u>-</u>
	<u>\$ 357,997</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>For the Year Ended June 30, 2019</u>	<u>For the Year Ended June 30, 2018</u>
	<u>Miscellaneous</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2017	June 30, 2016
Measurement Date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.75%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.50% net of investment and administrative expenses	7.50% net of investment and administrative expenses
Mortality Tables	Derived from CalPERS' membership data	Derived from CalPERS' membership data
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The actuarial assumptions used for the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

2019			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Current Target Allocation</u>	<u>Current Target Allocation</u>
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	0.5%	0.00%	-0.92%
Total	<u>100%</u>		

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions
(Continued)

2018	Target Allocation	Current Target Allocation
<u>Asset Class</u>	<u>Allocation</u>	<u>Allocation</u>
Global Equity	48.3%	51.00%
Private Equity	8.0%	10.00%
Global Fixed Income	19.4%	20.00%
Real Estate	11.2%	12.00%
Liquidity	4.8%	1.00%
Inflation	7.8%	6.00%
Total Plan Level	0.5%	0.00%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability for June 30, 2019 and 2018, was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

– The following presents AVTA’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as AVTA’s proportionate share of the net pension liability if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Miscellaneous Plan</u> <u>For the Year Ended June 30, 2019</u>		<u>Miscellaneous Plan</u> <u>For the Year Ended June 30, 2018</u>	
1% Decrease	6.15%	1% Decrease	6.15%
Net Pension Liability	\$ 1,939,098	Net Pension Liability	\$ 1,894,753
Current Discount Rate	7.15%	Current Discount Rate	7.15%
Net Pension Liability	\$ 1,071,984	Net Pension Liability	\$ 1,099,901
1% Increase	8.15%	1% Increase	8.15%
Net Pension Liability	\$ 356,195	Net Pension Liability	\$ 441,591

Pension Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

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.

NOTE 8 – RISK MANAGEMENT (Continued)

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, 2019. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2019 and 2018.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Federal, State, and Local Grants

AVTA receives federal, state, 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.

C. Purchase Contracts

AVTA has the following significant purchase commitments outstanding as of June 30, 2019. These purchase orders are for future buses AVTA has yet to receive as of June 30, 2019.

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>	<u>Expected Completion</u>
BYD Motores, Inc. (BYD)	Electric Bus Fleet	\$ 45,128,275	End of Fiscal Year 2020

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 9, 2019, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**ANTELOPE VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVTA'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2019
LAST 10 YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Valuation Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.01112%	0.01109%	0.01018%	0.00916%	0.01027%
Proportionate Share of the Net Position Liability	\$ 1,071,984	\$ 1,099,901	\$ 880,874	\$ 629,016	\$ 639,229
Covered Employee Payroll	\$ 2,570,443	\$ 2,548,087	\$ 2,602,471	\$ 2,473,677	\$ 2,304,600
Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	41.70%	43.17%	33.85%	25.43%	27.74%
Plan's Fiduciary Net Position	\$ 5,338,209	\$ 4,678,869	\$ 4,001,269	\$ 3,563,767	\$ 3,127,307
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	73.31%	74.06%	78.40%	83.03%

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

Notes to Schedule:

Benefit changes: There have been no benefit changes.

**ANTELOPE VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2019
LAST 10 YEARS***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 264,578	\$ 235,194	\$ 226,757	\$ 208,456	\$ 405,595
Contributions in Relation to the Actuarially Determined Contributions	<u>264,578</u>	<u>235,194</u>	<u>226,757</u>	<u>208,456</u>	<u>405,595</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 2,685,150	\$ 2,570,443	\$ 2,602,471	\$ 2,473,677	\$ 2,304,600
Contributions as a Percentage of Covered Employee Payroll	9.85%	9.15%	-8.71%	-8.43%	-17.60%

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