Comprehensive Annual Financial Report

For the Fiscal Years ended June 30, 2015 and 2014

Antelope Valley Transit Authority
Lancaster, California

Antelope Valley Transit Authority

ANTELOPE VALLEY TRANSIT AUTHORITY

LANCASTER, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

PREPARED BY THE AVTA FINANCE DEPARTMENT

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INTRODUCTORY SECTION

Antelope Valley Transit Authority

November 24, 2015

Honorable Chairman 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, 2015.

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, 2015 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles, policies and principles used and significant estimates made by management; and evaluating the overall financial statement presentation. 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, 2015 and 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 the 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 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 north of Los Angeles. Its principal office and facility for its active fleet of 75 buses is situated in the City of Lancaster. AVTA was formed to provide and administer public transportation services for the citizens of Lancaster, Palmdale and certain unincorporated sections of the County of Los Angeles in the Antelope Valley area. The Greater Antelope Valley area encompasses over 3,000 square miles and includes both Northern Los Angeles County and Eastern Kern County and is home to approximately 500,000 residents. The Antelope Valley provides a thriving environment for economic growth and offers a wide range of benefits to businesses seeking to relocate or expand their operations.

Services

The AVTA provides the following transportation services:

Local Fixed Route – There are 12 local fixed routes and 2 supplemental routes that coordinate with school schedules. In FY 2015, the farebox recovery ratio was 12.6% for local transit fixed route service. AVTA served 3.1 million local transit passengers, a decrease of 5.6% from FY2014.

Commuter – AVTA provides commuter service from the Antelope Valley to downtown Los Angeles, West Los Angeles/Century City and the San Fernando Valley. In the current year, the farebox recovery ratio for commuter services was 78.1%. AVTA provided services to approximately 299,000 riders, an increase of 2.1% from FY2014

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 40,000 riders during FY2015, an increase of 7.5% above FY2014.

Dial-A-Ride – Supplemental demand response service is provided by AVTA to Antelope Valley Residents. In FY2015, the farebox recovery ratio was 5.6%, a decline from 7.5% in FY2014. The service was provided by IntelliRide, a division of TransDev Corporation, after taking over from Access services on May 1, 2014. The contract went out for bid in September 2014 for a new 5-year contract to be effective January 2015; IntelliRide was the lowest bidder and continued the service. The contract calls for a maximum of 33,000 rides for each calendar year; approximately 32,000 rides took place for FY2015, an increase of 20.6% over FY2014.

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 every six months.

Fare Schedule Increase – During FY2015, the farebox recovery percentages for all modes of service showed decreases, even while holding fares steady for many years. The Board of Directors approved a fare increase to attempt counter these declines, effective September 1, 2015; management is awaiting statistics to see how the ridership and fare revenue changed subsequent to the change in fare structure.

Reporting Entity

The Antelope Valley Transit Authority (AVTA), a public entity, was created on July 1, 1992 pursuant to Section 6506 of the Government Code of the State of California. AVTA was formed under a Joint Exercise of Powers Agreement (JPA). Its members consist of the County of Los Angeles and the cities of Lancaster and Palmdale. The JPA members jointly contribute 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 2015-2016 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 from a worldview to an in-depth review of the regional economy of Los Angeles County.

The California State economy is steadily regaining its place as a significant contributor in the national economy, contributing 13% of the US GDP in 2014; with an increase of 3.3%, this rate outpaced the 2.4% increase in the national economy. While still higher than normal, the state's unemployment rate has steadily declined for the past three years to a point where it is actually below the long term annual trend. The state is adding jobs at a faster rate than the nation, so much so that all of the jobs lost from the recession have now been recovered. This is attributable in part to California firms attracting fresh venture capital funds that have in the past few years actually exceeded the other 49 states.

Statistics from 2014-2015 revealed that five industry sectors comprised more than seventy percent of the new jobs in the state: health care and social assistance, leisure and hospitality; administrative, support and waste services; professional scientific and technical services; and construction. Construction added jobs at the fastest rate among the five sectors at 5.6%, while health care added the largest number of jobs at 68,000. Nondurable goods and the financial services were the only two sectors that saw declines.

Of note, California's agriculture industry continues to struggle with the drought, with 2014 the third driest year on record. A UC Davis study estimates that the drought could cost the state up to $2.2 billion in lost revenue through 2016. Agricultural output is a small part of California's gross product, but the drought is having a profound effect on the communities and people who support the sector. The National Weather Services is predicting a strong El Niño effect for the 2015-2016 winter, which may provide some relief for the drought, but it is certain that the reduced water supply for California's agriculture could result in reduced supplies and upward pressure on food prices.

The gradual improvement in California's employment picture has combined with progress in several of its chronic problems as well. After years of budget deficits, the state's General Fund closed the 2013-2014 fiscal year with a cash surplus, and in response to the drought, reforms were enacted to improve sustainability management in the state's groundwater storage resources. Challenges continue however; the past year has shown a sharp increase in shortages of affordable housing, especially in large metropolitan areas where new jobs are occurring; critical infrastructure projects continue to be deferred, and the unfunded liability of the state's retiree health care costs rose to nearly $72 billion, which will require considerable attention and financial resources to address.

California's economy has shown marked improvement. The Report suggests that in order to spread the benefits to the bulk of California's population, more skilled workers and college graduates are needed, along with improvements in the state's infrastructure, financial performance and management of water resources.

Los Angeles County's population exceeds 10 million. It covers 4,084 square miles and contains 88 cities, with the largest being the City of Los Angeles. Along with its hallmark industries of international trade, entertainment and tourism, Los Angeles County is an important center for manufacturing and innovation.

The county added 79,000 jobs in 2014, which equaled the entire increase that the rest or the United States experienced. As a result, the unemployment rate fell to 8.2%, the lowest rate in the previous six years. Job growth is projected to increase 1.7% in 2016; the unemployment rate is expected to fall to 7.2% in 2015 and 6.6% in 2016. The total number of non-farm jobs is expected to reach almost 4.3 million.

The rate of population growth for Los Angeles County is projected to slow for 2015 and 2016 to a steady annual rate of 0.5%. The growth has been sustained by a net positive favorable birth rate, offset slightly by a drop in migration. The lack of affordable housing for low- and middle-class families is also contributing to the slowing in population growth.

Mirroring the state, Los Angeles County has experienced steady improvement in its economy in terms of increased jobs and a decreased rate of unemployment. Administrative, support and waste services and the employment of temporary workers, which may indicate a trend where employers are seeking ways to maintain more flexibility and decreased costs of operations. Small wage gains are expected to occur as local labor markets finally start to tighten.

The Greater Antelope Valley Economy

The 2015 Economic Roundtable 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 connects with the Los Angeles Metropolitan Area via State Highway 14 about 60 miles to the north, and is located near the border of Los Angeles County and Kern County, to the immediate north. This modern freeway climbs to an elevation of 2,500 feet, where the Antelope Valley begins. State Highway 138 links the region to the Inland Empire and California's Central Valley, providing an ideal location for businesses seeking to access both Southern and Central California. The region consists of five dynamic cities: Lancaster, Palmdale, Ridgecrest, Tehachapi and California City. The area is served by Los Angeles County's Metrolink train service, daily local transit and commuter bus services and a number of private transportation companies.

Economically, the 'Great Recession' the country experienced starting in 2008 was harder on the Antelope Valley, especially to the employment base in three key sectors: logistics, construction and manufacturing. Of the three, only logistics has recovered to its pre-2008 employment levels. Additionally, the Antelope Valley was profoundly affected by the subprime mortgage crisis as the foreclosure wave hit and home prices collapsed. Related tax revenue on housing sales in particular and other sales tax revenue both decreased. The ongoing drought and the drop in oil prices added significantly to the slowing of the region's economy.

The good news is that the Antelope Valley is now experiencing the same broad recovery that the State of California is experiencing; in 2014, the state was experiencing the fastest growth in the country. Due to the existence of groundwater and the investment by local agribusiness in low-water, high efficiency growing technique, the Antelope Valley is demonstrating how agriculture can continue to thrive in a low water environment. The long-established aerospace/high technology presence is showing signs of revival, and new starts for manufacturing capacity has also seen the biggest increase since 2008, driven by firms investing in infrastructure within the area. New residential housing starts should also increase as the local growing local economy starts to create more jobs.

The average income for a household in the Antelope Valley at mid-year 2015 was $66,075, about 22.0% lower than the California State average of $84,669. 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 has started selling power to its citizens with its new Lancaster Choice Energy program, an alternative choice to Southern California Edison.

The Antelope Valley continues to show its prominence in transportation in Southern California. The Los Angeles County Board of Supervisors provided $1.9 million in local funds to AVTA to purchase its first two battery-electric buses from Lancaster based BYD, an electric bus manufacturer. BYD is also to launch different bus styles, including larger 60-foot articulated battery electric local transit buses and battery electric commuter buses. The City of Palmdale is host to Kinkisharyo International, a manufacturer of light rail passenger cars. Plans include expanding the current facility from a 166,000 square foot facility to 400,000 square feet in preparation for a contract to produce 235 rail cars for the Los Angeles Metropolitan Transportation Authority.

Two interregional projects taking place in the Antelope Valley include California High Speed Rail (HSR) and the High Desert Corridor. The HSR Project will provide travel between Los Angeles and San Francisco at speeds exceeding 200 miles per hour. Extensions to Sacramento and San Diego are planned in later phases, totaling over 800 miles. Construction has already started in the San Joaquin Valley. The proposed High Desert Corridor project would provide a multi-purpose, multi-modal transportation route from State Route 14 in Los Angeles County to the west and State Route 18 in San Bernardino County to the east.

Population Growth

GAVEA's 2015 population forecast is projecting that the Antelope Valley population will grow approximately 21% in the next 5 years and by 43% between 2014 and 2035, as shown in the table below:

Figure 1 – Antelope Valley Population Forecast

	2015	2020	2035
Lancaster	197,205	174,807	201,310
Palmdale	177,609	179,274	206,143
Unincororated L.A. County/Other	41,797	134,000	172,173
Greater California City/Mojave	20,291	32,509	39,641
Ridgecrest	33,473	39,442	41,737
Greater Rosamond/Edwards	23,122	31,805	40,245
Tehachapi	36,682	47,691	57,632
Total Antelope Valley	**530,179**	**639,528**	**758,881**

Funding

Since July 2012, public transit's primary funding program has been **MAP-21** (Moving Ahead for Progress in the 21st Century Act), a two-year funding authorization bill that funded $10.5 billion in transportation programs for federal fiscal years 2013 and 2014. AVTA receives the majority of its federal funding from MAP-21 via the Federal Transit Administration's Section 5307 Urbanized Area Formula Grants Program, supported by a variety of state and local sources.

Congress has not passed an infrastructure measure that lasts 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-21, since the two-year program formally ended just three months after the beginning the current audit period, in September 2014. The surface transportation funding authorizations and policies of MAP-21 have been extended numerous times, with the latest set to expire on October 29, 2015. The House of Representatives has scheduled a much anticipated markup meeting for October 22, 2015A highway in an effort to pass a multi-year highway transportation bill. On October 16, 2015, the House introduced a 6 year bill, funded at $325 billion for the first 3 years, which includes $55 billion for transit; details need to be ironed out, not the last of which is the funding for the last 3 years. It is likely that another extension will be passed yet again to give Congress time to conference on the highway bill.

In addition to the Formula Funds AVTA routinely receives from the FTA, AVTA has routinely applied for a variety of additional funding through the Federal government, including Transportation Investment Generating Economic Investment Grants (TIGER), 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 July 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. Sixteen 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 13 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.

As AVTA prepares its budget for the upcoming 2017 fiscal year, the prevailing economic conditions will be factored into the process. New funding sources and cost savings are a constant consideration while striving to maintain the same level of exceptional transit services in the most efficient and effective manner.

Major Initiatives in 2015

2015 Annual Budget Process

Beginning in January 2015, AVTA management developed its Staffing-, Operating-, Capital and Short Range Transit Plans, which together comprise the Fiscal Year 2016 Business Plan. The Plan emphasizes 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 approval during the May 26, 2015 Board Meeting.

Strategic Planning

The Fiscal Year 2015 Business Plan continued its focus on five major areas: Safety, Effectiveness, Outstanding Customer Service, Organizational Leadership and Efficiency. Goals were established by each department. Functional accomplishments for FY15 and goals for FY16 are included in the detailed department sections of this Plan. System-wide accomplishments for the fiscal year ending June 30, 2015 include the following:

FY15 Accomplishments

OPERATE A SAFE TRANSIT SYSTEM

- Re-established contract with Los Angeles County Sheriff's Department for dedicated transit security

PROVIDE OUTSTANDING CUSTOMER SERVICE

- Successfully increased AVTA profile nationwide
- Increased AVTA's marketing presence and name recognition in the Antelope Valley
- Operating an expanded JARC funded Employment Travel program
- Obtained new digital graphics equipment to do more printing in-house
- Trained representatives on the new Intelligent Transportation System

OPERATE AN EFFECTIVE TRANSIT SYSTEM

- Took delivery of 2 BYD battery electric buses as local transit replacements and placed them in service
- Took delivery of 3 MCI commuter coach replacements
- Scheduled for delivery of 3 Gillig clean-diesel local transit replacements in June/July 2015
- Initiated preliminary work on charging infrastructure
- Improved financial reporting and increased investment income and diversity; increased Capital, Operating Reserve and Internal Reserve Balances.
- Awarded the Government Officer Financial Association's Award of Excellence for AVTA's FY13 and FY14 Consolidated Annual Financial Reports; with FY12, third consecutive year of Audited Financial Statements and Single Audit Report with no findings or questioned costs.

OPERATE AN EFFICIENT TRANSIT SYSTEM

- Completed installation of the Intelligent Transportation System
- Completed installation of the Apollo on-board vehicle security system.
- Reported recommendations from the COA/Route to Success Study to the Board of Directors
- Reported Fare Study recommendations to the Board of Directors
- Implemented Procurement and Contract Management System
- Implemented Document Management System
- Procured new bill and coin counting equipment
- Established new preliminary banking relationship with Union Bank

Financial Health and Operational Performance

AVTA produced a budget surplus of $2.5 million for the year, continuing to improve its financial health while producing its 4th consecutive set of audited financial statements issued with clean, unmodified opinions.

Staff set key operational performance indicator goals that were tied to the FY 2015 Business Plan goals, and reported the results to the Board of Directors on a quarterly basis. Seven of the nine established operational goals were met.

Noted Accomplishments

AVTA took possession of 2 BYD Electric local transit buses, 3 MCI Commuter Buses and 3 Gillig Clean-Diesel local transit buses. Management also received permission from the Board of Directors to purchase from 4 to 8 BYD Electric Local Transit Buses.

Fiscal Year 2016 Initiatives

The goals approved by the Board of Directors for FY16 are organized into the following areas:

EXECUTIVE SERVICES

- Employing increased advocacy funding, lead the effort to secure additional funding for the Authority's primary strategy, the electrification of its bus fleet.
- Enhance relationships with other transit and related entities including FTA, Metro, the Bus Operator's Subcommittee, General Managers Group and the Los Angeles County Municipal Operators Association

OPERATIONS & MAINTENANCE

- Take delivery and place into service 6 replacement BYD battery electric local transit buses
- Take delivery and place into service 2 JARC funded MCI expansion commuter coaches

- Complete installation of the WAVE inductive chargers at Palmdale Transportation Center and Lancaster City Park, and Phase 1 of the depot charging project at AVTA's facilities
- Implement Route to Success changes for current service and expansion, where and when feasible.

FINANCE
- Complete the FY15 CAFR and Single Audit Report with unmodified opinions; qualify for the third consecutive Award of Excellence in Financial Reporting
- Conduct procurement for a new Budgeting Software Package to enhance the efforts of the previously listed FY16 goals
- Conduct procurement for a new Budgeting Software Package to enhance budgets and planning
- Enhance Management involvement and value of monthly budget to actual reporting
- Expand reporting to include dedicated reports in support of external reporting requirements (Financial Audit, Single Audit, SRTP, NTD, Grants, etc.)
- Complete the Money Room equipment and environmental upgrade project

MARKETING AND CUSTOMER SERVICE
- Improve customer communication by creating an outreach campaign to sign up local transit patrons for Facebook, Twitter, and Track-it rider alerts
- Create a new AVTA campaign featuring customers and staff of AVTA
- Improve the Rider Relief program in the Antelope Valley through marketing efforts and work to help administrators of the program to partner with organizations in the region
- Secure and train additional vendors to sell AVTA bus pass products
- Implement a successful digital advertising sign program through a coordination of efforts between AVTA and Around AV
- Meet the customer service telephone hold time goal of 1:00 as defined in the FY16 Key Performance Indicators Target
- Expand outreach efforts to include Thursday Night on the Square and Concerts in the Park within the City of Palmdale
- Implement information campaign to inform customers of new Track-it amenities as they come on line

Fiscal 2016 Budget Summary

During the May 2015 Board Meeting, the AVTA Board of Directors approved a balanced Fiscal Year 2016 operating budget of $23.8 million and a capital budget of $13.8 million.

●●●

Board of Directors

Chair
Marvin Crist
City of Lancaster

Director
Angela Underwood-Jacobs
City of Lancaster

Vice Chair
Dianne Knippel
County of Los Angeles

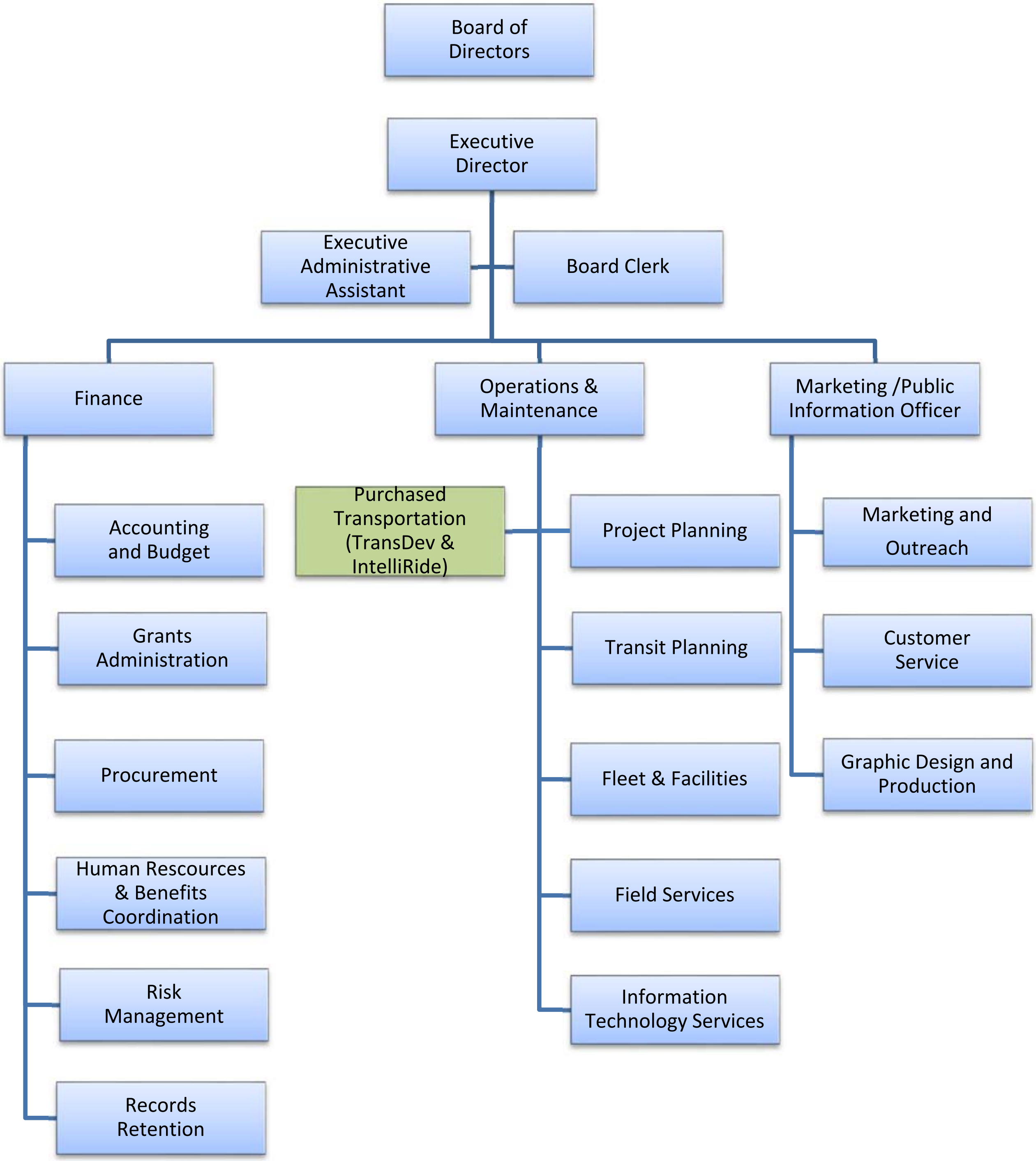
Director
Michelle Flanagan
County of Los Angeles

Director
Steven D. Hofbauer
City of Palmdale

Director
Fred Thompson
City of Palmdale

Executive Director
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.

AVTA's major capital acquisitions for FY 2016 include the re-tasked total Fleet Replacement Program to acquire electric buses, and multi-year projects to build charging infrastructure, both on the Authority's facilities and with cutting-edge inductive charging along its routes. Also planned are purchases of major bus components for both diesel and electric buses; costs for midlife refurbishment and rebuilding of diesel buses (continued during electric fleet conversion); support vehicles; Regional Partnership Project, the continuation of a long-term program that funds transit-related projects and improvements in the Authority's service area; maintenance tools and equipment; communications and computer equipment; and bus and bus stop security.

The results of the Fare Study and the Comprehensive Operational Analysis/"Route to Success," were launched at the same time. The results provided valuable decision-making data for many ongoing issues, such as the electric bus deployment and the consideration of the Bus Rapid Transit Project that would serve the high-density ridership corridor between the cities of Palmdale and Lancaster. The final recommendations were presented to the Board of Directors in January 2015. After many years of having a fixed fare schedule, the Board of Directors approved a rate increase which went into effect on September 1, 2015. It is anticipated that this will improve the farebox recovery and fare revenue during FY 2016.

Awards and Acknowledgements

The Antelope Valley Transit Authority has been the recipient of several prestigious industry awards. AVTA was honored with a first place AdWheel Award during 2015 APTA Annual Conference in San Francisco for work completed during FY15. This is the third straight year that AVTA has received AdWheel Awards, a testament to the strength of its communication and outreach efforts. The AdWheel awards celebrate creativity in marketing and communications in the transit industry.

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, 2014, for its third consecutive year.

In order to be awarded a Certificate of Achievement, a government entity 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. Management believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and it will be submitted it to the GFOA to determine its eligibility for another certificate.

The preparation of this Comprehensive Annual Financial Report would not have been possible without the skill and effort of the Finance Department staff; thanks to all who contributed to its preparation. Special thanks to Wendy Williams, Director of Communications, for her participation, and to Len Engel, Executive Director, for his counsel and leadership of the Authority. We also express our appreciation to the Board of Directors for their support in maintaining the highest financial and operational standards in the management of AVTA. Finally, we acknowledge the partnership, resources and professional guidance of Windes, Inc., Certified Public Accountants.

Colby Konisek
Director of Finance
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, 2014

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 statement of net position as of June 30, 2015 and 2014, 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, 2015 and 2014, 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 22-31 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 24, 2015 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 24, 2015

Forward

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, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and accompanying notes.

Financial Highlights

- AVTA's cash and investments at fiscal year-end June 30, 2015 were $17,232,879.
- AVTA's net position (the extent that assets exceeds liabilities) at the close of the fiscal year was $72,725,705. Of this amount, $17,096,315 was unrestricted, and may be used to meet AVTA's ongoing financial obligations.
- After recording the value of AVTA's capital assets net of accumulated depreciation, the increase in net position resulting from the current year's activities was $2,734,073.
- Total revenues from all sources were $29,621,299, reflecting a decrease of $456,156, or approximately 1.5% from the previous fiscal year.
- The total costs of all AVTA's transit services and projects were $26,887,226, an increase of $750,871 or about 2.8% higher than the last fiscal year.
- The excess of revenues from all sources over the total costs of AVTA's transit services and projects, including depreciation expense, was $2,734,073. In the prior fiscal year, revenues exceeded total costs by $3,941,100.
- The operating loss from providing transit services, before non-operating revenues was $21,686,815, compared to an operating loss $20,917,995 in the prior fiscal year.
- Member jurisdictions contributed $3,291,906 for the operation of the transit services and $460,898 for non-operating capital reserves, a total of $3,752,804.
- As of June 30, 2015, capital assets not subject to depreciation were $2,291,191, capital assets being depreciated were $90,725,522.
- AVTA implemented GASB 68 this year, which is intended to improve the accounting and financial reporting by state and local governments for pensions. As a result, the financial statements reflect the establishment of net pension plan liability figures of $639,229 and $873,416 as of June 30, 2015 and 2014, respectively.
- At the end of the fiscal year, unrestricted net assets of AVTA were $17,096,315, exclusive of restricted jurisdictional contributions to a capital reserve totaling $5,385,625.

Financial Statement Overview

The annual financial report consists of two parts: Management Discussion and Analysis and the basic financial statements, including explanatory notes to the financial statements.

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, liabilities, and deferred outflow and inflow of resources with the net amount reported as net position. 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 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

The Los Angeles Metropolitan Transportation Authority (Metro) commissions an annual audit of the Proposition A Discretionary Incentive Grant during the fiscal year ended June 30, 2015. The audit field work was completed in November 2015, and the final audited statements will be issued upon review by Metro. No exceptions were included in the statement drafts prepared by the audit firm of Simpson & Simpson. There were no exceptions for the audit conducted for the year ended June 30, 2014.

FInancIal Statement AnalysIs

Statement of Net Position

As of June 30, 2015 and 2014, AVTA's net position was $72,725,705 and $69,991,632, respectively, as shown in Table 1:

Table 1 - Statements of Net Position

	2015	2014 (As Restated)	$ Increase (Decrease)	% Increase (Decrease)
Current and other assets	$26,129,836	$27,234,896	($1,105,060)	(4.1%)
Capital assets	50,243,765	48,781,469	1,462,296	3.0%
Total assets	76,373,601	76,016,365	357,236	0.5%
Deferred outflows of resources - pension plan contributions	405,595	84,568	321,027	379.6%
Current liabilities	3,095,797	5,230,885	(2,135,088)	(40.8%)
Long Term Liabilities - Net pension plan liability	639,229	873,416	(234,187)	(26.8%)
Total liabilities	3,735,026	6,104,301	(2,369,275)	(38.8%)
Deferred Inflows of Resources				
Pension plan assumption differences	318,465	0	318,465	100.0%
Unearned revenue - other	0	5,000	(5,000)	(100.0%)
Net position:				
Invested in capital assets, net of accumulated depreciation	50,243,765	48,781,469	1,462,296	3.0%
Restricted for capital acquisition	5,385,625	4,917,417	468,208	9.5%
Unrestricted	17,096,315	16,292,746	803,569	4.9%
Total net position	$72,725,705	$69,991,632	$2,734,073	3.9%

As with recent years, AVTA's overall financial condition continues to improve. The increase in total net position for fiscal year 2015 was $2,734,073, a reduction of 30.6% from the prior year. The major causes were a decrease in operating grants between the two years and an increase in the contracted costs of providing transportation to the riding public.

The implementation of GASB 68 resulted in several adjustments to the financial statements. The Statement requires governmental employers to reflect the net pension liability, which is 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). Since the CalPERS actuarial valuation was calculated as of June 30, 2014, the FY2014 financials were restated to establish the pension liability as of that date; pension plan activity occurring during the FY2015 audit period was used to determine the corresponding liability as of June 30, 2015. The figures reflected in the financial statements for the Authority's pension liability are $639,229 and $873,416 as of June 30, 2015 and 2014, respectively.

Assets net of depreciation increased $1,462,296; a variety of capital projects were completed, or in progress as of the end of fiscal year, including the completion of the Intelligent Transportation System.

The ITS modernized dispatch operations and on-board security for the Authority's transit fleet. Another major factor in the increase was the procurement of two BYD battery-electric local transit buses, funded by a $1.9 million grant from the Los Angeles County Board of Supervisors. Local funds of $1.2 million were provided to provide infrastructure for electrical charging. The buses were placed in service in September 2014; operational data has shown significantly decreased operational costs per mile.

Unrestricted net assets of $17,096,315 are available to meet the Authority's ongoing financial obligations, and $5,385,625 in restricted funds are available to support local match requirements for transit fleet procurements.

Financial Statement Analysis

Revenues and Expenses: Changes in Net Position

As of June 30, 2015 and 2014, AVTA's change in net position was $2,734,073 and $3,941,100, respectively, as shown in Table 2:

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

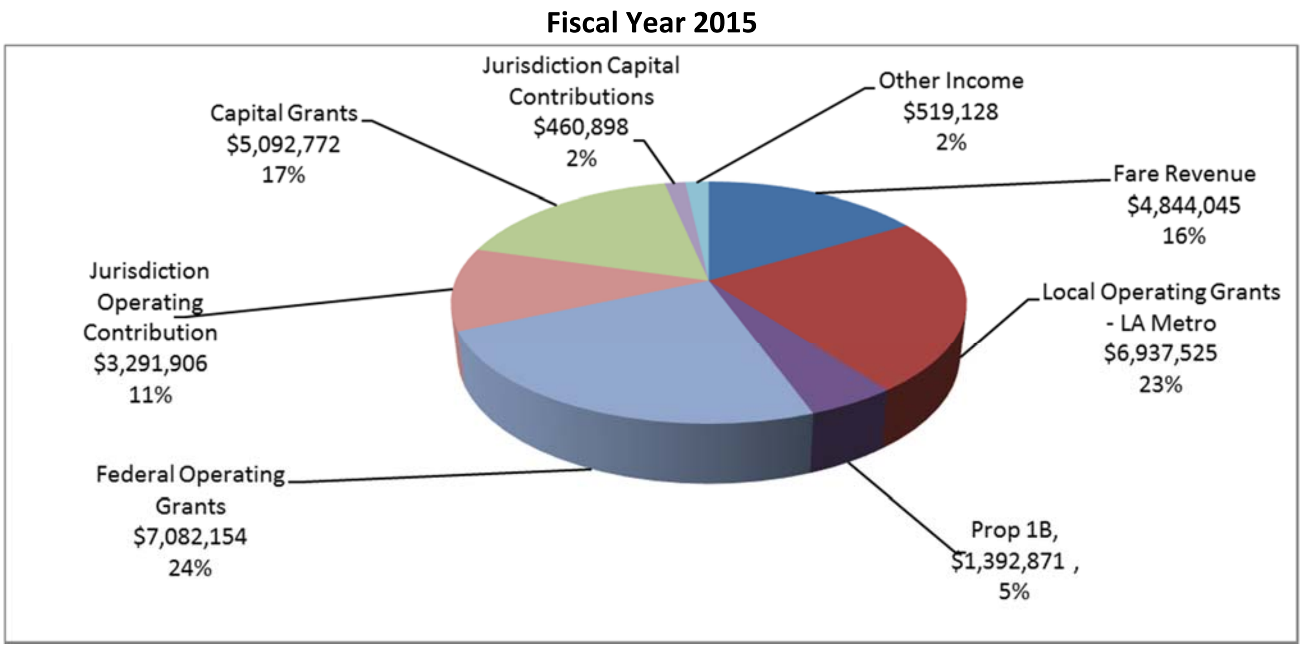
	2015	2014 (As Restated)	$ Increase (Decrease)	% Increase (Decrease)
Revenues:				
Charges for services	$4,844,045	$4,913,641	($69,596)	(1.4%)
Operating grants and contributions	18,704,456	21,860,742	(3,156,286)	(14.4%)
Capital grants and contributions	5,553,670	2,905,113	2,648,557	91.2%
Other non-transportation revenues	519,128	397,959	121,169	30.4%
Total revenues	29,621,299	30,077,455	(456,156)	(1.5%)
Expenses:				
Purchased transportation	13,832,936	12,799,002	1,033,934	8.1%
Fuel	2,293,702	2,768,552	(474,850)	(17.2%)
Other operating costs	506,668	628,458	(121,790)	(19.4%)
General and administrative expenses	4,494,439	4,503,687	(9,248)	(0.2%)
Depreciation	5,403,115	5,131,937	271,178	5.3%
Capital expenses	356,366	304,719	51,647	16.9%
Total expenses	26,887,226	26,136,355	750,871	2.9%
Net change in net position	2,734,073	3,941,100	(1,207,027)	(30.6%)
Net position, beginning of the year	69,991,632	66,839,380	3,152,252	4.7%
Adjustment to net position for pension liability		(788,848)	788,848	(100.0%)
Net position, end of the year	$72,725,705	$69,991,632	$2,734,073	3.9%

Grants and Operational Revenues

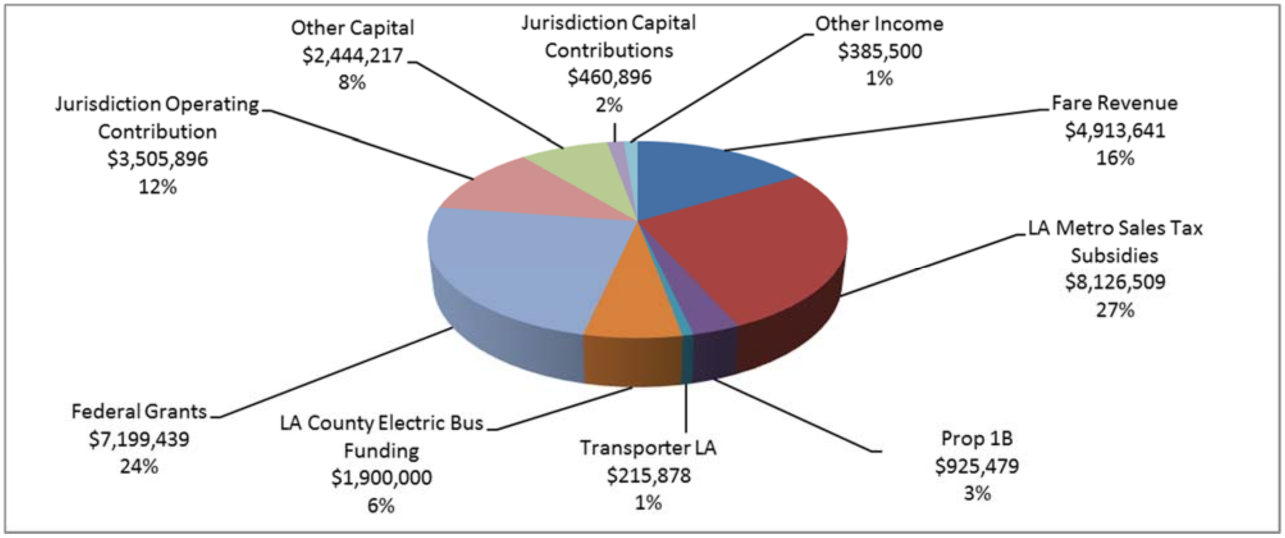
For the fiscal year ended June 30, 2015, AVTA's total revenues from all sources were $29.6 million, down $0.5 million from fiscal year 2014. Fare revenue decreased $70,000 or 1.4%, as the percentage of discounted and free fares increased during the year. Operating Grants and Contributions decreased by $3.1 million or 14.4%; the $1.9 million grant from the Board of Supervisors occurred in 2014, which was partially offset by increased Proposition 1B revenue recognized in 2015. Capital grants revenue increased by $2.6 million. Other revenues increased $128,000 from advertising inflows and SCE Solar Rebates.

AVTA's revenue sources for fiscal years 2015 and 2014 are compared below in the pie charts in Table 1. The percentage relationship of the categories 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



Fiscal Year 2014

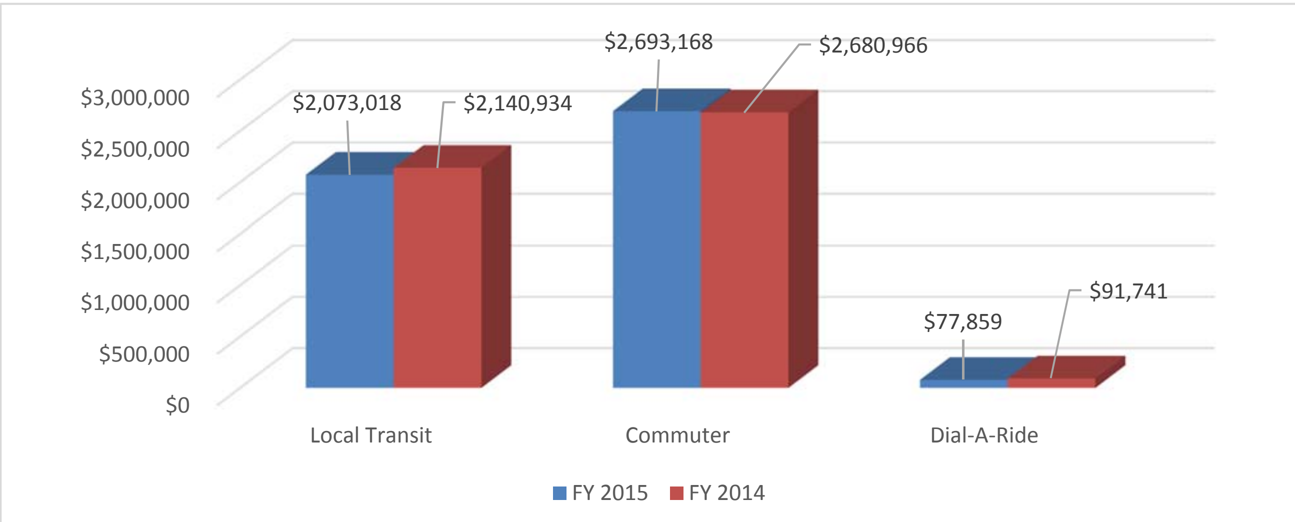


In comparing the two years, the primary revenue source continued to be from the Metro Sales Tax Subsidies (28%) and Federal Grants (24%). The other main variance is the one-time grant of $1.9 million from the Board of Supervisors for electric bus funding received in 2014.

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 $4.8 million for 2015, down 1.4% from $4.9 million in 2014. The comparative amounts received for each service contributing to total farebox revenues for fiscal years 2015 and 2014 are shown in Figure 2 below.

Figure 2 – Farebox Revenue by Service Mode



The decrease in 2015 total fare revenue of $70,000 (1.4%) from FY2014 consists of decreases in local transit and Dial-A-Ride of $68,000 (3.2%) and $14,000 (15.1%), respectively, partially offset by an increase in commuter revenue of $12,000, or 0.5%.

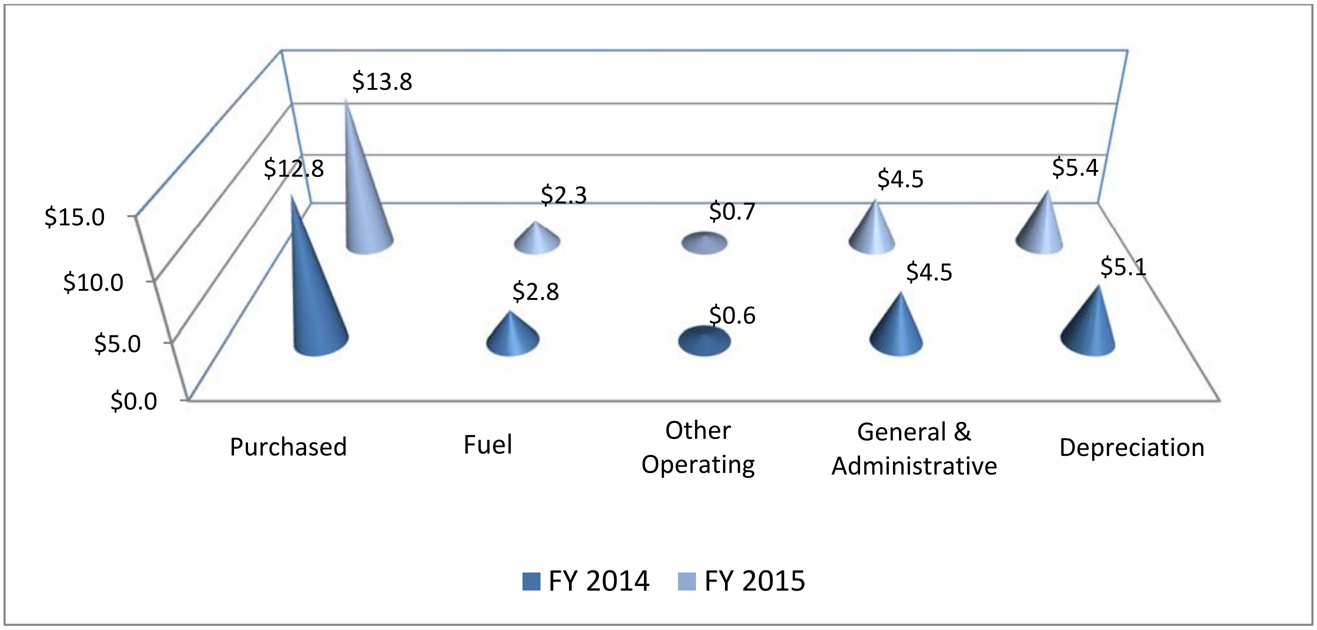
In 2015, local transit revenue fell in concert with lower ridership, which fell by 5.6%. For many years, AVTA has provided reduced fares for seniors, veterans, active military and persons with disabilities. The effects of the reduced fares on local transit became profound as preliminary ridership data indicated that more than 50% of riders were paying reduced fares. In 2014, the Authority commissioned a fare study to analyze the current fare structure and ridership patterns and make recommendations to improve revenues and farebox recover ratios. During the January 2015 board meeting, the Board of Directors received a recommendation to put through a fare schedule change and increase for all service modes. The change was approved and went into effect on September 1, 2015. Preliminary results for the first two months are encouraging, showing an expected increase in both local and commuter fare revenues; further analysis is pending.

Expenses

AVTA's operating expenses are reported in the following major categories: purchased transportation, fuel, other operating expenses, general and administrative expenses and depreciation. Total operating expenses were $26.8 million and $25.8 million for fiscal years 2015 and 2014, respectively, an increase of $1.0 million or 3.6%.

The comparative level of expenditures for each operating expense category for FY 2015 and FY2014 are shown in Figure 3 below:

Figure 3 – Comparative Operating Expense, Fiscal Years 2015 and 2014 ($ Millions)



Comparing the categories from 2014 to 2015, purchased transportation and depreciation increased; fuel, other operating expense, and general & administration decreased.

AVTA contracts with Transdev (formerly Veolia) Transportation for dispatch, fleet field operations and fleet maintenance, and with the IntelliRide Company for Dial-A-Ride services.

Purchased Transportation for 2015 was $13.8 million, an increase $1.0 million or 8.1% over FY2014. The increase is attributed to the contracted cost increases with Veolia and Transdev, along with increases in existing local transit routes and in ridership for Commuter services.

Fuel use decreased $475,000 due the fuel economy of the 15 hybrid buses and 2 battery electric buses. Fossil fuel expenses will continue to drop as AVTA continues its one of its principle strategies of converting its fleet to all electric buses.

Other operating costs for 2015 totaled $507,000, a decrease of $122,000 from the prior year. Some of this decrease was due to less-than-budget software licensing and savings on utility expense.

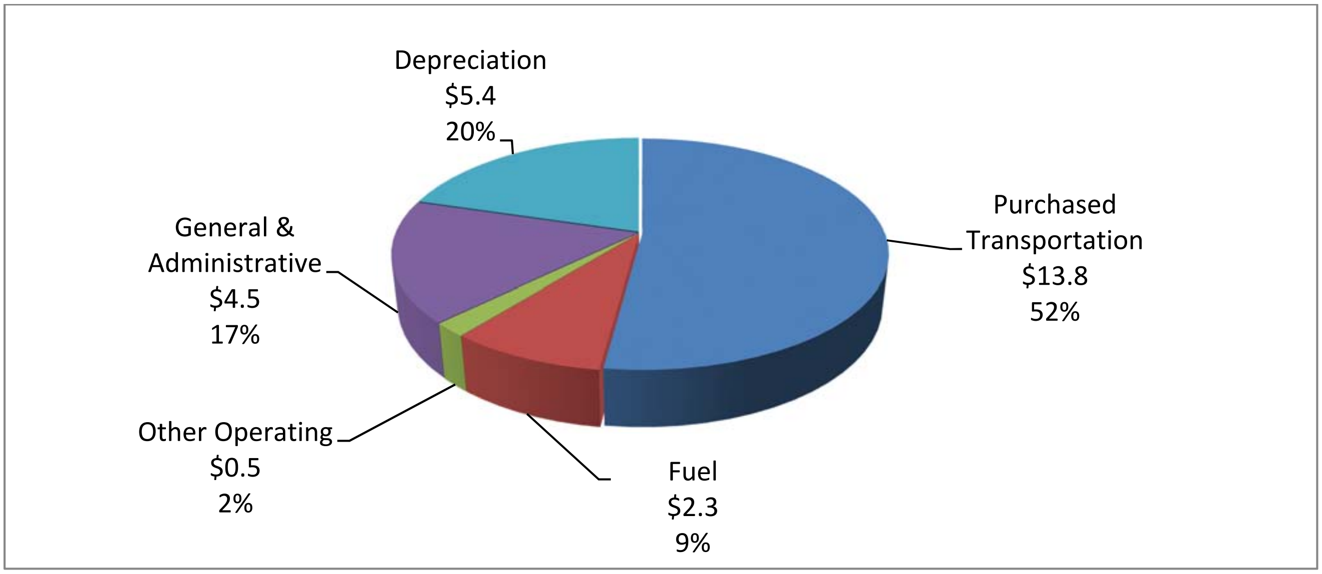
General & administrative expenses in 2015 were $4.5 million, virtually the same as 2014, as management worked towards maintaining budget management and cost savings for the Authority's overhead.

Depreciation expense was $5.4 million in 2015, an increase of $271,000 over 2014.

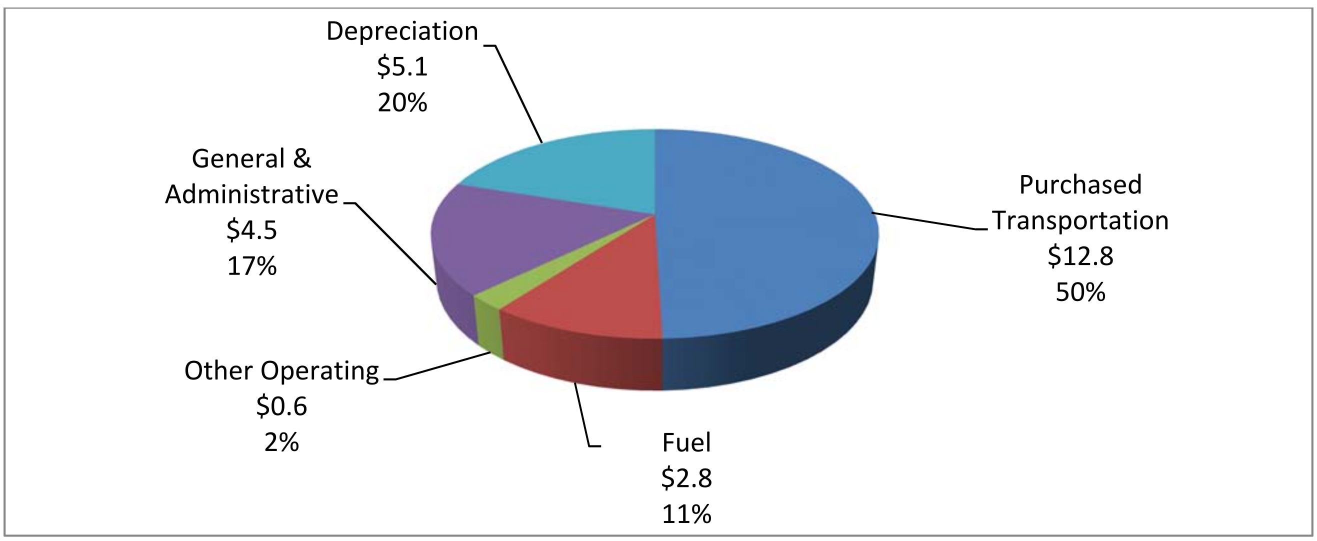
Figure 4 shows the comparative amounts for the expense category for each of fiscal years 2015 and 2014.

Figure 4 – Relative Cost Categories by Year for Fiscal Years 2015 and 2014 ($ Millions)

Fiscal Year 2015



Fiscal Year 2014



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, 2015, unrestricted net position is $17.6

million, an increase of $0.5 million over the prior year. Funds restricted for capital acquisition are $5.4 million, an increase of $0.4 million, and represent capital reserve contributions as of June 30, 2015.

Capital Assets

The details of the Authority's investment in capital assets as of June 30, 2014 and June 30, 2013 are presented in Table 3.

Table 3 – Capital Assets net of Accumulated Depreciation

	2015	(As Restated)	$ Increase (Decrease)	% Increase (Decrease)
Construction in progress	$474,575	$1,215,072	($740,497)	(60.9%)
Land	1,816,616	1,816,616	0	0.0%
Buildings and improvements	26,123,857	27,172,196	(1,048,339)	(3.9%)
Transportation equipment	18,802,526	17,918,258	884,268	4.9%
Computer and communications equipment	2,639,939	625,183	2,014,756	322.3%
Other equipment	386,252	34,144	352,108	1031.2%
Total capital assets	$50,243,765	$48,781,469	$1,462,296	3.0%

As of June 30, 2013, the Authority had a total of $50.2 million invested in capital assets. This total represents a net increase $1.4 million or 3.0% higher than the prior year total of $48.8 million. The increase is attributable to the total of assets placed in service of $6.8 million exceeding depreciation expense of $5.4 million. 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, and has no plans to incur any debt whatsoever in its long-term strategic plans.

Requests for Information

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

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

* * * * * *

STATEMENTS OF NET POSITION

ASSETS

	June 30, 2015	June 30, 2014 (As Restated)
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 17,232,879	$ 25,275,465
Due from other governments (Note 3)	8,058,837	1,139,593
Other receivables	261,587	243,048
Inventory	240,334	237,783
Prepaid items	336,199	339,007
	26,129,836	27,234,896
NONCURRENT ASSETS		
Capital assets, depreciated, net (Note 5)	50,243,765	48,781,469
TOTAL ASSETS	76,373,601	76,016,365
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan contributions (Note 7)	405,595	84,568

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Accounts payable	1,748,567	2,499,400
Accrued payroll	86,991	81,411
Unearned revenue - Prop 1B (Note 4)	935,169	2,328,040
Compensated absences (Note 6)	325,070	322,034
Total Current Liabilities	3,095,797	5,230,885
NONCURRENT LIABILITIES		
Net pension plan liability (Note 7)	639,229	873,416
DEFERRED INFLOWS OF RESOURCES		
Pension plan assumption differences (Note 7)	318,465	-
Unearned revenue - other	-	5,000
Total Deferred Inflows of Resources	318,465	5,000
NET POSITION		
Invested in capital assets	50,243,765	48,781,469
Restricted for capital acquisition	5,385,625	4,917,417
Unrestricted	17,096,315	16,292,746
TOTAL NET POSITION	$ 72,725,705	$ 69,991,632

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, 2015	2014 (As Restated)
OPERATING REVENUES		
Charges for services:		
Passenger fares	$ 4,844,045	$ 4,913,641
Total operating revenues	4,844,045	4,913,641
OPERATING EXPENSES		
Purchased transportation services:		
Outside transit contract	13,832,936	12,799,002
Fuel	2,293,702	2,768,552
Other operating costs	506,668	628,458
General and administrative	4,494,439	4,503,687
Depreciation	5,403,115	5,131,937
Total operating expenses	26,530,860	25,831,636
Operating loss	(21,686,815)	(20,917,995)
NONOPERATING REVENUES (EXPENSES)		
Interest income	19,767	12,459
Local operating grants – LA Metro	8,330,396	9,267,866
Federal operating grants	7,082,154	7,199,439
Member agency contributions	3,291,906	3,505,896
Capital related expenses	(356,366)	(304,719)
Other transportation revenue – LA County		1,900,000
Other	499,361	373,041
Total nonoperating revenues and expenses	18,867,218	21,953,982
Income/(loss) before capital contributions	(2,819,597)	1,035,987
CAPITAL CONTRIBUTIONS		
Capital grants	5,092,772	2,444,217
Member contributions	460,898	460,896
Total capital contributions	5,553,670	2,905,113
NET CHANGE IN NET POSITION	2,734,073	3,941,100
NET POSITION, BEGINNING OF YEAR	69,991,632	66,839,380
ADJUSTMENT TO NET POSITION FOR PENSION LIABILITY		(788,848)
NET POSITION, END OF YEAR	$ 72,725,705	$ 69,991,632

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

STATEMENTS OF CASH FLOWS

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 4,844,045	$ 4,913,641
Non-operating miscellaneous received	499,361	373,041
Cash payments to suppliers for goods and services	(20,125,223)	(17,226,251)
Cash payments to employees for services	(3,416,960)	(3,304,918)
Net Cash Used In Operating Activities	(18,198,777)	(15,244,487)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating grants received	9,955,568	17,489,528
Contributions received from member agencies	3,291,906	5,405,896
Net Cash Provided By Noncapital Financing Activities	13,247,474	22,895,424
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(6,865,411)	(3,131,972)
Capital grants received	3,693,476	3,255,723
Grantable expenses	(356,366)	(304,719)
Capital contributions received from member agencies	417,251	460,896
Net Cash Provided By/(Used In) Capital and Related Financing Activities	(3,111,050)	279,928
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	19,767	12,459
Net Cash Provided By Investing Activities	19,767	12,459
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,042,586)	7,943,324
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	25,275,465	17,332,141
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,232,879	$ 25,275,465

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

STATEMENTS OF CASH FLOWS
Continued

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	($ 21,686,815)	($ 20,917,995)
Adjustments to net cash used in operating activities:		
Depreciation	5,403,115	5,131,937
Miscellaneous income	499,361	373,041
Decrease/(increase) in other receivables	(37,858)	9,128
Decrease/(increase) in inventory	(2,550)	82,170
Decrease/(increase) in prepaid items	2,807	(329,393)
Increase in deferred outflows or resources	(321,027)	-
Increase/(decrease) in accounts payable	(750,833)	822,125
Decrease in due to Federal Transit Administration	-	(4,371)
Increase in accrued payroll	5,580	7,207
Increase in compensated absences payable	3,036	57,392
Decrease in unearned revenue	(1,397,871)	(475,728)
Decrease in net pension liability	(234,187)	-
Increase in deferred inflows of resources	318,465	-
Net Cash Used In Operating Activities	($ 18,198,777)	($ 15,244,487)

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

There were no noncash investing, capital or financing activities during the fiscal years ended June 30, 2015 and 2014.

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 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 non-operating revenues in the year in which the grant is applicable. Revenues earned under capital grants are included in capital contributions when the related expenses are incurred.

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 and the actuarial assumptions utilized in calculating net pension liability.

NOTE 2 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following:

	June 30, 2015	June 30, 2014
Cash on hand	$ 750	$ 750
Deposits with financial institutions	11,845,858	20,323,661
Local Agency Investment Fund (LAIF)	5,386,271	4,951,054
Total cash and cash equivalents	$ 17,232,879	$ 25,275,465

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, 2015 and 2014.

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)	$ 5,386,271	$ 5,386,271
Total	$ 5,386,271	$ 5,386,271

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, 2015 and 2014, 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, 2015 and 2014, 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 investments, 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,	
	2015	**2014**
Federal grants	$ 7,926,313	$ 979,815
Local grants - MTA	69,558	159,778
Operating contributions		
City of Palmdale	19,319	-
Capital reserve contribution		
City of Palmdale	43,647	-
Total due from other governments	$ 8,058,837	$ 1,139,593

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, 2015 and 2014 was as follows:

Unspent PTMISEA funds as of July 1, 2013	$ 2,778,768
PTMISEA funds received during the fiscal year ended June 30, 2014	474,751
PTMISEA expenses incurred during the fiscal year ended June 30, 2014	(925,479)
Unspent PTMISEA cash receipts as of June 30, 2014	2,328,040
PTMISEA funds received during the fiscal year ended June 30, 2015	-
PTMISEA expenses incurred during the fiscal year ended June 30, 2015	(1,392,871)
Unspent PTMISEA cash receipts as of June 30, 2015	$ 935,169

NOTE 5 – Capital Assets

A schedule of changes in capital assets for the year ended June 30, 2015 is shown below:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Capital assets, not being depreciated:				
Land	$ 1,816,616	-	-	$ 1,816,616
Construction-in-progress	1,215,072	$ 1,791,160	($ 2,531,657)	474,575
Total capital assets, not being depreciated	3,031,688	1,791,160	(2,531,657)	2,291,191
Capital assets being depreciated:				
Buildings	33,627,782	-	-	33,627,782
Equipment	10,499,059	2,753,101	(2,016,975)	11,235,185
Transportation equipment	41,009,748	4,852,807	-	45,862,555
Total capital assets, being depreciated	85,136,589	7,605,908	(2,016,975)	90,725,522
Less accumulated depreciation:				
Buildings	(6,455,586)	(1,048,339)	-	(7,503,925)
Equipment	(9,839,732)	(386,237)	2,016,975	(8,208,994)
Transportation equipment	(23,091,490)	(3,968,539)	-	(27,060,029)
Total accumulated depreciation	(39,386,808)	(5,403,115)	2,016,975	(42,772,948)
Total capital assets, being depreciated, net	45,749,781	2,202,793	-	47,952,574
Capital assets, net	$ 48,781,469	$ 3,993,953	($ 2,531,657)	$ 50,243,765

NOTE 5 – Capital Assets (Continued)

A schedule of changes in capital assets for the year ended June 30, 2014 is shown below:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	$ 1,816,616	-	-	$ 1,816,616
Construction-in-progress	1,109,872	$ 2,394,277	($ 2,289,077)	1,215,072
Total capital assets, not being depreciated	2,926,488	2,394,277	(2,289,077)	3,031,688
Capital assets being depreciated:				
Buildings	31,283,152	2,344,630	-	33,627,782
Equipment	10,467,535	43,973	(12,449)	10,499,059
Transportation equipment	40,371,579	638,169	-	41,009,748
Total capital assets, being depreciated	82,122,266	3,026,772	(12,449)	85,136,589
Less accumulated depreciation:				
Buildings	(5,545,083)	(910,503)	-	(6,455,586)
Equipment	(9,447,064)	(405,117)	12,449	(9,839,732)
Transportation equipment	(19,275,173)	(3,816,317)	-	(23,091,490)
Total accumulated depreciation	(34,267,320)	(5,131,937)	12,449	(39,386,808)
Total capital assets, being depreciated, net	47,854,946	(2,105,165)	-	45,749,781
Capital assets, net	$ 50,781,434	$ 289,112	($ 2,289,077)	$ 48,781,469

NOTE 6 – Compensated Absences

A schedule of changes in compensated absences for the year ended June 30, 2015 is shown below:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Amount due Within One Year
Compensated absences	$ 322,034	$ 9,241	$ 6,205	$ 325,070	$ 325,070

A schedule of changes in compensated absences for the year ended June 30, 2014 is shown below:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amount due Within One Year
Compensated absences	$ 264,642	$ 60,024	$ 2,632	$ 322,034	$ 322,034

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 and deferred outflows of resources associated with CalPERS. As part of implementing GASB 68, AVTA had to adjust net position as of June 30, 2014 to reflect the liability, $873,416, and deferred outfows, $84,568, as of June 30, 2014. The total adjustment to net position of $788,848 is shown on the Statement of Revenues, Expenses, and Changes in Net Position.

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:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Measurement period	July 1, 2013 to June 30, 2014
Actuarial cost method	Entry age normal
Actuarial assumptions	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50% net of 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, 2014:

Asset Class	Allocation	Rate of Return Years 1-10	Rate of Return Years 11+
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0%	0.99%	2.43%
Inflation sensitive	6.0%	0.45%	3.36%
Private equity	12.0%	6.83%	6.95%
Real estate	11.0%	4.50%	5.13%
Infrastructure and forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)

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:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	$ 405,595	
Difference between projected and actual earnings		$ 214,810
Adjustment due to differences in proportions		103,655
	$ 405,595	$ 318,465

The $405,595 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. Other amounts reported as deferred inflows of resources will be amortized into pension expense as follows:

Fiscal year ending June 30,	
2016	$ 90,722
2017	90,722
2018	83,320
2019	53,701
	$ 318,465

AVTA's proportionate share of CalPERS' total net pension liability is as follows:

AVTA's proportion of CalPER's net pension liability	0.01027%
AVTA's proportionate share of net pension liability	$639,229
AVTA's covered-employee payroll	$2,304,600
AVTA's proportionate share of net pension liability as a percentage of its covered-employee payroll	27.74%
AVTA's proportionate share of the fiduciary net position as a percentage of the AVTA's total pension liability	83.03%
AVTA's proportionate share of aggregate employer contribution	$84,568

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, 2015:

Service costs	$ 353,249
Interest	264,633
Employee contributions	(158,437)
Projected earnings on plan investments	(199,877)
Recognized difference between projected and actual earnings	(53,703)
Recognized portion of adjustment due to differences in proportions	(37,019)
Total pension expense	$ 168,846

Sensitivity of the Net Position 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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%):

	Discount rate minus 1% (6.50%)	Current discount rate (7.50%)	Discount rate plus 1% (8.50%)
Net pension liability	$ 1,138,907	$ 639,229	$ 224,543

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, 2015. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2015 and 2014.

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,	
	2015	**2014**
County of Los Angeles	$ 1,168,802	$ 1,074,362
City of Palmdale	1,992,790	1,818,203
City of Lancaster	2,113,094	1,921,223
Interest earned on reserve balances	110,939	103,629
	$ 5,385,625	$ 4,917,417

STATISTICAL SECTION

STATISTICAL SECTION

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

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

FINANCIAL TRENDS

NET POSITION BY COMPONENT

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Capital assets, net of accumulated depreciation	$ 39,473,946	$ 36,336,059	$ 32,301,630	$ 32,618,573	$35,942,481	$ 32,036,915	$ 36,898,608	$ 50,781,434	$ 48,781,469	$ 50,243,765
Restricted assets	-	-	-	-	-	3,891,996	4,423,713	4,436,135	4,917,417	5,385,625
Unrestricted assets	555,856	3,021,418	6,748,076	8,533,977	9,148,799	4,441,201	7,313,190	11,623,461	16,292,746	17,096,315
NET POSITION	**$ 40,029,802**	**$ 39,357,477**	**$ 39,049,706**	**$ 41,152,550**	**$ 45,091,280**	**$ 40,370,112**	**$ 48,635,511**	**$ 66,841,030**	**$ 69,991,632**	**$ 72,725,705**

Source: AVTA Finance Department

FINANCIAL TRENDS

CHANGES IN NET POSITION

	2006	2007	2008	2009	2010	2011[a]	2012	2013	2014	2015
Operating revenue:										
Passenger Fares	$ 3,611,547	$ 3,856,511	$ 4,497,172	$ 4,582,997	$ 3,746,050	$ 4,283,321	$ 4,686,665	$ 4,832,800	$ 4,913,641	$ 4,844,045
Total Operating revenue	**3,611,547**	**3,856,511**	**4,497,172**	**4,582,997**	**3,746,050**	**4,283,321**	**4,686,665**	**4,832,800**	**4,913,641**	**4,844,045**
Operating expenses:										
Purchased transportation	8,933,222	8,205,242	9,182,994	9,555,408	9,733,907	8,802,872	10,457,322	12,318,390	12,799,002	13,832,936
Fuel	2,106,076	2,078,110	2,749,088	2,258,192	1,939,320	2,792,580	3,081,667	2,819,513	2,768,552	2,293,702
Other operating costs	555,730	320,936	421,709	948,357	1,634,413	1,639,043	1,363,069	824,123	628,458	506,668
General administrative	973,766	2,921,594	2,530,745	2,975,892	2,960,149	6,311,030	5,215,431	4,062,048	4,503,687	4,494,439
Depreciation	2,802,408	4,308,446	6,240,007	4,934,184	5,318,582	4,437,374	4,215,999	4,519,585	5,131,937	5,403,115
Total operating expenses	15,371,202	17,834,328	21,124,543	20,672,033	21,586,371	23,982,899	24,333,488	24,543,659	25,831,636	26,530,860
Operating income (loss)	**(11,759,655)**	**(13,977,817)**	**(16,627,371)**	**(16,089,036)**	**(17,840,321)**	**(19,699,578)**	**(19,646,823)**	**(19,710,859)**	**(20,917,995)**	**(21,686,815)**
Non-operating revenues										
Interest income	4,004	17,003	28,586	15,661	25,093	189,101	18,089	12,421	12,459	19,767
Local Operating Grants	2,970,783	5,340,626	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,653,042	9,267,866	8,330,396
Federal operating grants	1,752,007	3,345,481	5,432,502	9,309,233	11,066,332	3,656,922	7,181,627	8,358,434	7,199,439	7,082,154
Member agency contributions	3,454,263	3,784,304	3,820,307	3,145,691	3,145,691	3,251,193	3,286,384	3,524,379	3,505,896	3,291,906
Other Transportation Revenue - LA County	0	0	0	0	0	0	0	0	1,900,000	0
Other non-operating revenues/(expenses)	60,172	301,380	(67,736)	37,639	(230,922)	(228,896)	(510,702)	(77,771)	68,322	142,995
Total non operating revenues	**8,241,229**	**12,788,794**	**15,646,356**	**17,817,052**	**19,800,369**	**14,366,135**	**18,847,842**	**21,470,505**	**21,953,982**	**18,867,218**
Capital Contributions										
Capital Grants	0	0	957,640	797,250	801,621	755,440	8,603,484	16,444,223	2,444,217	5,092,772
Member contributions	473,899	349,705	460,893	460,896	460,896	460,896	460,896	0	460,896	460,898
Total capital contributions	**473,899**	**349,705**	**1,418,533**	**1,258,146**	**1,262,517**	**1,216,336**	**9,064,380**	**16,444,223**	**2,905,113**	**5,553,670**
Change in net position	**(3,044,527)**	**(839,318)**	**437,518**	**2,986,162**	**3,222,565**	**(4,117,107)**	**8,265,399**	**18,203,869**	**3,941,100**	**2,734,073**
Net position, beginning of year	**43,074,329**	**40,196,795**	**38,612,188**	**38,166,388**	**41,868,715**	**44,487,219**	**40,370,112**	**48,635,511**	**66,839,380**	**69,991,632**
Adjustment for pension liability									**(788,848)**	
Net position, end of year	**$40,029,802**	**$39,357,477**	**$39,049,706**	**$41,152,550**	**$45,091,280**	**$40,370,112**	**$48,635,511**	**$66,839,380**	**$69,991,632**	**$72,725,705**

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 exceptions were noted for the Audited Financial Statements for the Years Ended June 30, 2012 and 2013.

Source: Finance Department

REVENUE CAPACITY

REVENUE SOURCES

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Passenger Fares	$	$ 3,611,547	$ 3,856,511	$ 4,497,172	$ 4,582,997	$ 3,746,050	$ 4,283,321	$ 4,686,665	$ 4,832,799	$ 4,913,641	$ 4,844,045
	% of total	29.3%	22.7%	20.9%	19.4%	15.1%	21.6%	14.4%	11.3%	16.3%	16.4%
Local Operating Grants MTA		2,970,783	5,340,626	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,653,042	9,267,866	8,330,396
LA County		-	-	-	-	-	-	-	-	1,900,000	-
Local Operating Grants	$	2,970,783	5,340,626	6,432,697	5,308,828	5,794,175	7,497,815	8,872,444	9,653,042	11,167,866	8,330,396
	% of total	24.1%	31.4%	29.8%	22.4%	23.4%	37.7%	27.2%	22.5%	37.1%	28.1%
Federal Operating Grants		1,752,007	3,345,481	5,432,502	9,309,233	11,066,332	3,656,922	7,181,627	8,358,434	7,199,439	7,082,154
Federal Capital Grants		-	-	957,640	797,250	801,621	755,440	8,603,484	16,444,223	2,444,217	5,092,772
Federal Grants	$	$ 1,752,007	$ 3,345,481	$ 6,390,142	$ 10,106,483	$ 11,867,953	$ 4,412,362	$ 15,785,111	$ 24,802,657	$ 9,643,656	$ 12,174,926
	% of total	14.2%	19.7%	29.6%	42.7%	47.8%	22.2%	48.4%	57.8%	32.1%	41.1%
Operating Contributions	$	3,454,263	3,784,304	3,820,307	3,145,691	3,145,691	3,251,193	3,286,384	3,524,379	3,505,896	3,291,906
	% of total	28.0%	22.3%	17.7%	13.3%	12.7%	16.4%	10.1%	8.2%	11.7%	11.1%
Capital Contributions	$	$ 473,899	$ 349,705	$ 460,893	$ 460,896	$ 460,896	$ 460,896	$ 460,896	$ -	$ 460,896	$ 460,898
	% of total	3.8%	2.1%	2.1%	1.9%	1.9%	2.3%	1.4%	0.0%	1.5%	1.6%
Interest		4,004	17,003	28,586	15,661	25,093	189,101	18,089	12,421	12,459	19,767
Other non-operating revenues/(expenses)		60,172	301,380	(67,736)	37,639	(230,922)	(228,896)	(510,702)	105,051	373,041	499,361
Other	$	64,176	318,383	(39,150)	53,300	(205,829)	(39,795)	(492,613)	117,472	385,500	519,128
	% of total	0.5%	1.9%	-0.2%	0.2%	-0.8%	-0.2%	-1.5%	0.3%	1.3%	1.8%
Total	$	$ 12,326,675	$ 16,995,010	$ 21,562,061	$ 23,658,195	$ 24,808,936	$ 19,865,792	$ 32,598,887	$ 42,930,349	$ 30,077,455	$ 29,621,299
	% 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 ECONOMIC INFORMATION

Consumer Price Index [1]					Index Year 1984 = 100					
Year -->	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Index	195.30	201.60	207.30	215.30	214.50	218.10	224.90	229.60	232.96	236.74
Change	3.4%	3.2%	2.8%	3.9%	-0.4%	1.7%	3.1%	2.1%	1.5%	1.6%

Comparative Average Household Income [2]	2008	2009	2010	2011	2012	2013	2014
United States	-	-	$71,071	$67,259	$67,315	$69,637	$71,320
California	-	-	$84,690	$79,806	$79,547	$83,188	$81,689
Santa Clarita	$114,349	$118,531	$107,510	$99,264	$99,392	$99,124	$96,665
Los Angeles	$76,644	$79,130	$72,785	$69,436	$69,399	$74,235	$71,022
Palmdale	$71,547	$74,596	$72,369	$66,580	$67,659	$68,837	$66,390
Ridgecrest	$72,420	$76,501	$67,654	$65,694	$63,556	$66,423	$69,885
Lancaster	$65,810	$68,246	$65,375	$61,215	$61,677	$63,100	$61,996
Rosamond	$66,730	$71,073	$64,697	$59,124	$59,212	$59,732	$60,710
Tehachapi	$53,433	$56,142	$51,448	$52,375	$52,177	$57,311	$58,464
California City	$66,695	$70,401	$65,755	$58,487	$58,513	$55,823	$59,167

Comparative Populations [2]	2008	2009	2010	2011	2012	2013	2014
Antelope Valley	476,845	483,998	486,414	482,017	507,220	513,547	520,690
Atlanta	500,638	529,400	541,696	537,014	422,343	443,261	455,895
Las Vegas	569,201	566,225	564,650	586,768	566,881	585,440	595,195
Miami	419,237	429,888	411,168	422,270	406,322	418,387	425,944
Portland							
St. Louis	354,843	350,202	354,685	355,813	316,625	316,452	317,322
Tucson	531,464	537,173	542,968	529,797	522,446	527,018	524,264

Sources:

(1) Bureau of Labor Statistic annual average data

(2) Greater Antelope Valley Economic Alliance (GAVEA). Information in these categories iwas nota vailable prior to 2008.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Antelope Valley Population by Race (2)	2009	2010	2011	2012	2013	2014
Caucasian	59.3%	59.0%	58.3%	55.5%	54.5%	54.0%
Black/African American	14.3%	14.2%	14.4%	13.8%	14.0%	14.3%
American Indian/Alaska Native	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%
Native Hawaiian/Pacific Islander	0.2%	0.2%	0.2%	24.0%	0.3%	0.2%
Other Races	16.5%	16.7%	17.0%	20.5%	21.1%	21.3%
Two or More Races	5.4%	5.6%	5.6%	5.2%	5.5%	5.5%

PRINCIPAL EMPLOYERS IN THE ANTELOPE VALLEY (2)

Employer	Number of Employees					
	2009	2010	2011	2012 (3)	2013	2014
Edwards Air Force Base	12,515	10,610	10,808	-	10,647	10,647
China Lake Naval Weapons	6,080	6,734	9,172	-	9,172	6,690
County of Los Angeles	3,757	3,953	3,953	-	3,743	3,743
Lockheed Martin	3,320	3,100	3,000	-	2,712	3,700
Mojave Air & Spaceport (all employers)	-	-	-	-	2,500	2,500
Antelope Valley Hospital	2,561	2,722	2,619	-	2,300	2,300
Northrup Grumman	2,300	2,611	2,573	-	2,772	2,100
Wal-Mart (5 Stores)	2,150	2,054	1,922	-	1,922	1,922
Palmdale School District	2,728	2,739	2,682	-	2,682	1,792
Tehachapi State prison	1,957	1,846	1,915	-	1,915	1,671
AV Union High School District	2,106	1,911	2,037	-	2,689	1,116

(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.

RIDERSHIP BY MODE

	Local Transit[1]	Commuter Service[1]	TRANSporter[1]	Demand Response[2]	Total
2004	2,404,453	277,451			2,681,904
2005	2,380,334	288,476			2,668,810
2006	2,681,046	312,740			2,993,786
2007	2,519,100	300,697		34,766	2,854,563
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

(1) TRANSporter service inaugurated August 2012.

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

Sources: AVTA Operations & Maintenance Department

SERVICE: FIXED ROUTE STATISTICS

		Service Consumption		Service Supplied		
	Passenger Fares ($)	Annual Passenger Miles	Annual Unlinked Trips	Annual Revenue Miles	Annual Vehicle Revenue Hours	# of Buses in Maximum Service
2004	$3,136,458	38,236,671	2,736,765	2,875,126	154,208	60
2005	$3,374,022	35,275,957	2,727,838	3,069,613	165,848	68
2006	$3,611,547	40,421,991	3,124,823	3,226,349	178,676	61
2007	$3,856,511	37,682,701	3,042,782	2,789,445	161,953	68
2008	$4,497,172	39,461,824	3,016,959	2,502,659	148,363	57
2009	$4,582,997	39,824,414	3,028,623	2,571,728	153,852	57
2010	$3,746,050	38,754,043	2,796,107	2,970,430	181,296	68
2011	$4,823,929	39,559,725	2,854,237	3,075,106	190,022	68
2012	$4,686,665	39,922,663	2,880,423	3,010,030	181,497	71
2013	$4,832,800	48,416,293	3,493,239	2,992,523	174,231	71
2014	$4,913,641	66,644,592	3,606,357	2,837,649	167,213	71
2015	$4,844,045	79,535,232	3,468,769	3,313,968	174,310	62

Source: AVTA Operations & Maintenance

OPERATING INFORMATION

SERVICE: DEMAND RESPONSE STATISTICS

	Service Efficiency		Cost Effectiveness		Service Effectiveness	
	Operating Expense per Vehicle Revenue Mile	Operating Expense per Vehicle Revenue Hour	Operating Expense per Passenger Mile	Passengers per Revenue Hour	Passengers per Revenue Mile	Passengers Revenue Per Revenue Hour
2005	$3.45	$70.19				
2006	$3.35	$68.20				
2007	$4.67	$76.08	$4.67	2.10	0.13	4.25
2008	$9.45	$149.10	$9.45	2.00	0.13	3.64
2009	$7.13	$133.37	$7.13	2.10	0.11	6.67
2010	$7.00	$130.49	$7.00	2.00	0.11	6.60
2011	$8.12	$154.06	$8.12	2.00	0.10	5.44
2012	$7.10	$185.66	$7.10	3.70	0.14	10.00
2013	$5.02	$150.66	$5.02	3.70	0.12	10.40
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

Source: AVTA Operations & Maintenance

Note: Cost Effectiveness and Service Effectiveness statistics not available prior to 2007.

OPERATING INFORMATION

AVTA EMPLOYEE HEADCOUNTS

	2008	2009	2010	2011	2012(1)	2013	2014	2015
Full Time	25	26	68	68	31	31	31	31
Part Time	3	1	5	7	8	8	7	7
Total	28	27	73	75	39	39	38	38

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

Source: AVTA Finance Department

CAPITAL ASSET STATISTICS - REVENUE FLEET

	2006	2007	2008	2009	2010	2011	2012[1]	2013	2014	2015
Local Transit	46	46	46	46	46	44	43	43	43	41
Commuter	25	25	31	31	31	25	25	28	28	30
Dial-a-Ride	14	18	23	26	14	14	1	0	0	0
Net Assets	85	89	100	103	91	83	69	71	71	71

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

Source: AVTA Operations & Maintenance Department.