ANTELOPE VALLEY TRANSIT AUTHORITY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022

ANTELOPE VALLEY TRANSIT AUTHORITY
JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Antelope Valley Transit Authority
Lancaster, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the Antelope Valley Transit Authority (AVTA) as of and for the fiscal years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise AVTA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of AVTA, as of June 30, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AVTA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 5 to the financial statements, in 2023, AVTA adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AVTA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AVTA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AVTA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of AVTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AVTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVTA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 17, 2023

The management of the Antelope Valley Transit Authority (AVTA or the Authority) offers the readers of its financial statements this narrative overview and analysis of the financial activities of AVTA for the fiscal years ended June 30, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the accompanying the basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- AVTA's cash and cash equivalents at fiscal year-end June 30, 2023, was $29,284,190.
- Due from governments at June 30, 2023, was $6,910,969 ; of this, $3,986,795 was due from the Federal Transit Administration, $269,666 from the Los Angeles Metropolitan Transportation Authority, $2,605,878 from the State of California; and $48,630 from various other sources.
- As of June 30, 2023, capital assets not subject to depreciation included $1,897,766 in land value and $3,047,390 in construction projects still in progress; capital assets being depreciated were $156,994,332.
- Total revenues, including capital contributions, from all sources were $48,536,326, reflecting a 30% decrease from the previous fiscal year.
- The total costs of all AVTA's transit services and projects, excluding depreciation expense, were $31,650,777, reflecting a decrease of just 3.8% over prior fiscal year.
- As of June 30, 2023, the net pension plan liability balance was $1,878,317 reflecting an increase of $1,425,470 from the prior year.
- AVTA's net position (the extent that assets exceeds liabilities) at the close of the fiscal year 2023 was $137,808,298. Of this amount, $107,071,101 reflects the net amount of funds invested in capital assets.
- Due to the introduction of new methods by the Government Accounting Standards Board (GASB), Fiscal 2022 has been restated to display AVTA's software contracts, and asset leases in the new method. Notes throughout the financial statements explain the changes in detail.

FINANCIAL STATEMENT OVERVIEW

AVTA is a government funded entity that follows enterprise fund accounting and presents its financial statements on the accrual basis of accounting. The enterprise fund concept is similar to how private business enterprises are financed and operated. These statements provide a top-level view of the Authority's financial picture in a format similar to that of private-sector companies. The following reports comprise AVTA's financial statements:

Statement of Net Position. Presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, though it is important to consider other 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 two most recent fiscal years. 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 expenses 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, noncapital financing activities, capital and related activities, and investing activities.

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

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

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

	June 30, 2023	June 30, 2022 Restated	June 30, 2021
Assets			
Capital Assets, Net	$ 108,895,196	$ 105,915,230	$ 76,787,656
All Other Assets	37,043,509	40,563,477	32,558,914
Total Assets	145,938,705	146,478,707	109,346,570
Deferred Outflows of Resources			
Pension Plan Contributions and Actuarial Changes	2,959,787	744,260	717,467
Liabilities			
Current Liabilities	7,136,704	13,925,484	3,276,360
Long-Term Liabilities	3,924,584	1,335,377	2,021,177
Total Liabilities	11,061,288	15,260,861	5,297,537
Deferred Inflows of Resources			
Pension Plan Assumption Differences	28,906	395,311	10,284
Net Position			
Net Investment in Capital Assets	107,071,101	105,600,357	76,787,656
Restricted for Capital Acquisition	-	1,426,375	3,821,320
Unrestricted	30,737,197	24,540,063	24,147,240
Total Net Position	$ 137,808,298	$ 131,566,795	$ 104,756,216

GASB has introduced *Discussion of Statement of Net Position.* AVTA completed construction on a new maintenance facility in fiscal year 2023. This maintenance facility is necessary to address the needs of AVTA's longest articulated buses at 60 feet long. AVTA has current construction in progress for a phase three facility improvement that is primarily aimed at upgrading and repairing the part of the facility used by drivers and dispatch staff.

GASB has introduced new statements that affect how certain leases and software contracts are displayed in the financial statements. GASB Statement 87- Leases requires government agencies to display the use of major leased assets as a separate line item that is amortized over time. Additionally, GASB Statement 96-Subscription-Based Information Technology Arrangements (SBITA) requires government agencies to show the use of certain software contracts as an individually displayed line item. Full details about AVTA's leases and software contracts can be found in Note 5 and Note 4.

The implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 requires governmental employers to reflect the net pension liability, defined as the difference between the present value of projected pension benefit payments to current active and inactive employees, less the amount of the pension plan's net position (assets less liabilities). Always one year in arrears, the figures reflected in the statements of net position for the Authority's net pension liability have increased due to lower market values.

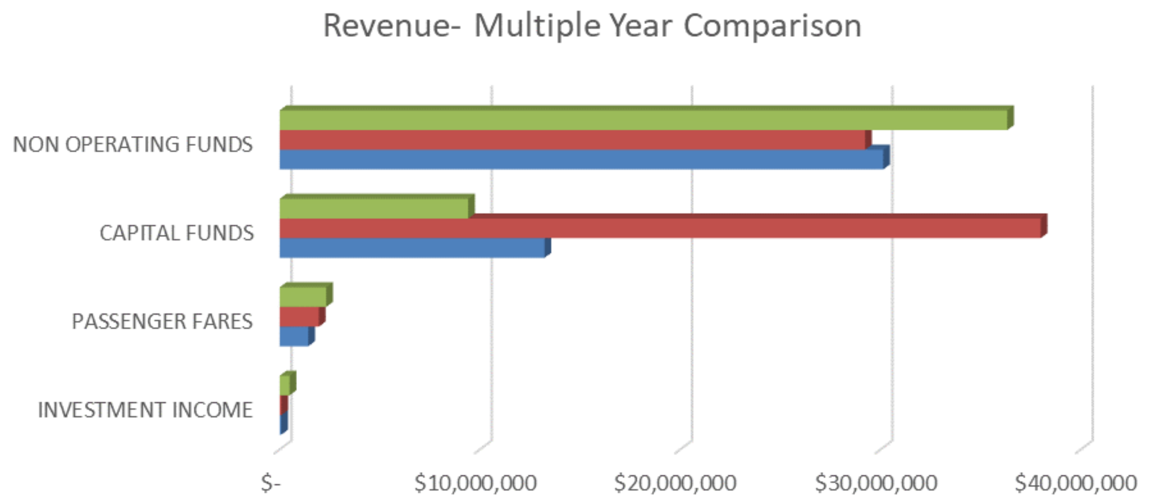
Unrestricted net assets of over $30 million are available to meet AVTA's ongoing financial obligations. Upon completion of the full fleet electrification, AVTA has used all of its Capital Reserve. AVTA will resume saving capital reserve contributions made by each jurisdiction for local match requirements on future fleet replacements. Approximately $1.4 million of the jurisdictional capital reserve was used in fiscal year 2023 toward the acquisition of electric buses.

REVENUES AND EXPENSES: CHANGES IN NET POSITION

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

	June 30, 2023	June 30, 2022 Restated	June 30, 2021
Revenues			
Passenger Fares	$ 2,320,679	$ 1,957,074	$ 1,425,502
Nonoperating Funds	35,768,659	28,374,804	30,132,968
Capital Funds	9,411,666	37,989,052	13,219,533
Interest Income and Other Revenue	490,904	84,217	80,291
Total Revenues	47,991,908	68,405,147	44,858,294
Expenses			
Purchased Transportation Services			
Outside Transit Contract	21,715,794	20,553,411	17,981,431
Fuel	223,589	898,941	808,080
E-Bus Energy Consumption	2,073,764	1,449,636	1,094,065
Other Operating Costs	1,697,526	1,768,164	6,607,055
General and Administrative	5,951,212	8,241,627	6,844,455
Subtotal Expenses Before Depreciation and Amortization	31,661,885	32,911,779	33,335,086
Depreciation and Amortization	10,088,520	8,682,789	6,537,919
Total Expenses Including Depreciation and Amortization	41,750,405	41,594,568	39,873,005
Change in Net Position	6,241,503	26,810,579	4,985,289
Net Position			
Beginning of Year	131,566,795	104,756,216	99,770,927
End of Year	$ 137,808,298	$ 131,566,795	$ 104,756,216

Figure 1 – Analysis of Revenues



	INVESTMENT INCOME	PASSENGER FARES	CAPITAL FUNDS	NON OPERATING FUNDS
2023	$490,904	$2,320,679	$9,411,666	$36,324,185
2022 (Restated)	$84,217	$1,957,074	$37,989,052	$29,224,862
2021	$80,291	$1,425,502	$13,219,533	$30,132,968

Discussion of Revenues. For the fiscal year ended June 30, 2023, AVTA's total revenues, including capital contributions, from all sources were $48,547,434 down 30% from fiscal year 2022. This is entirely attributed to the completion of electrifying the fleet and therefore a significant reduction in the use of capital funding for this activity. AVTA is beginning to see small recoveries from the COVID-19 pandemic shut down with a modest increase in fare revenues of just over $360 thousand or about 19% over fiscal year 2022 in fare revenue.

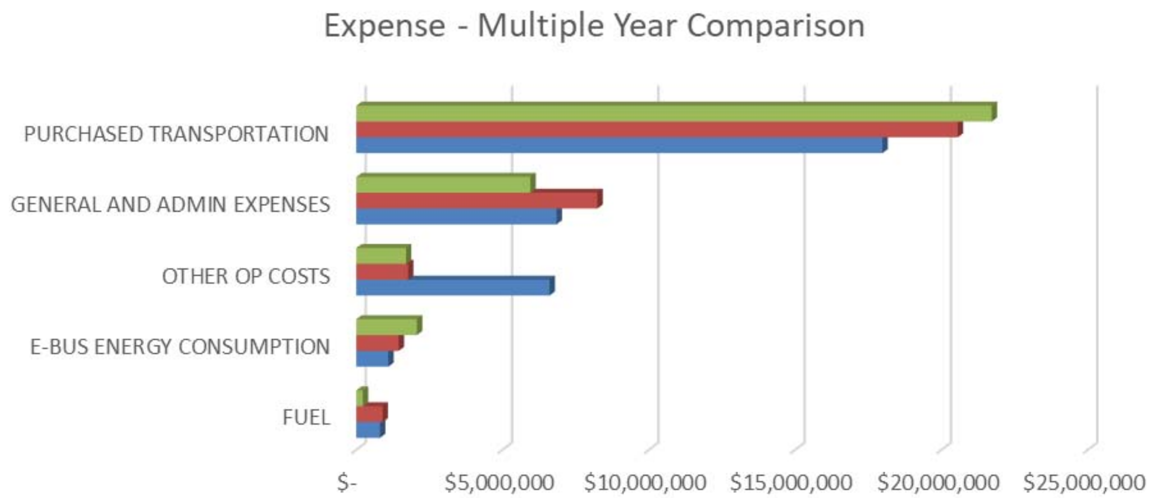
The passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act has been a vital injection of operating revenue for AVTA since 2020 and will continue to help AVTA recover from revenue loss in subsequent years. In fiscal year 2023, AVTA used $15,720,000 from the CARES Act funds to subsidize operations.

AVTA receives significant operation funds from local taxes and Federal operating grants. In fiscal year 2023 AVTA received over $15 million in local tax funding though Los Angeles County Metro, who facilitates the distribution of Los Angeles transportation tax funds to eligible operators.

AVTA continues to receive unrestricted operating funds from Low Carbon Fuel Standard (LCFS) Credits. These are credits AVTA earns from using electric vehicles in the state of California and are reflected in the Other Revenues line item. AVTA began selling these credits in fiscal year 2021 and in fiscal year 2023 has earned $807 thousand this fiscal year which is over a 43% reduction from prior year LCFS credit earnings. It is believed that the entrance of more credit producers into this market have significantly affected credit earnings.

AVTA received the majority of capital funds from grants that were used to pay for the final buses for electrification of the entire AVTA fleet. Additional capital funds were used to pay for construction of the new maintenance building and remodeling of current facilities.

Figure 2 – Analysis of Expenditures



	FUEL	E-BUS ENERGY CONSUMPTION	OTHER OP COSTS	GENERAL AND ADMIN EXPENSES	PURCHASED TRANSPORTATION
2023	$223,589	$2,073,764	$1,697,526	$5,951,212	$21,715,794
2022 (Restated)	$898,941	$1,449,636	$1,768,164	$8,241,627	$20,553,411
2021	$808,080	$1,094,065	$6,607,055	$6,844,504	$17,981,431

2023 2022 (Restated) 2021

Discussion of Expenses. AVTA's operating expenses are reported in the following major categories: purchased transportation services, fuel, E-bus energy consumption, other operating costs, and general and administrative expenses. The comparative level of expenditures for each operating expense category for fiscal years 2023, 2022, and 2021 are shown in Figure 2 above. Total operating expenses prior to depreciation in fiscal year 2023 were $31,661,885 representing an overall decrease of about $1.2 million from 2022. During fiscal year 2023 AVTA's rise in expenses in some categories were met with savings in others.

AVTA began a new contract for fixed route operations at the very tail end of fiscal year 2022 with MV Transportation. The fixed route contract is paid per revenue hour and fiscal year 2023 had a revenue hour rate of $102.03. The total of purchased transportation for local and commuter fixed route service in fiscal year 2023 is $17,677,626 making up 81% of the Purchased Transportation total. AVTA also contracts with Antelope Valley Transportation Services (AVTS) for Dial-a-Ride services and a new On-Request Micro-transit Ride Service (ORMRS). ORMRS uses smaller vehicles and is only operated when customers have requested service. Total additional purchased transportation is $4,038,168. In total, Purchased Transportation costs have risen 6%.

Other operating costs have stayed nearly the same, however the change shown here reflects a change required by GASB to classify certain software contracts as depreciable assets where formerly they were classified as expenses.

Fuel in this chart is used to describe traditional fuels of diesel and unleaded. While AVTA's traditional fuel cost is down, almost the same amount was seen as an increase in E-Bus Energy consumption.

General & administrative expenses in fiscal year 2023 show an overall decrease in fiscal year 2023 over fiscal year 2022. Costs are down about 30%. This decrease is primarily due to the lump sum payment made by AVTA in fiscal year 2022 towards pre funding a CalPERS liability of over $1.5 million. This pre-funding has offset CalPERS pension costs in fiscal 2023. Additionally, there has been savings on outside consultant costs.

In addition to these operating expenses, depreciation and amortization expense increased by approximately 16%, which is expected as AVTA removes older buses from the fleet and replaces them with new electric buses. An additional cause of increased depreciation and amortization expense is the GASB mandated changes in the methods used to track asset leases and certain software contracts.

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, 2023, unrestricted net position was just over $30.7 million. The biggest contributor to this increase is the influx of federal operating assistance as well as discretionary capital funds from the state of California that has allowed AVTA to keep reserves instead of depleting them.

CAPITAL ASSETS

The details of the Authority's investment in capital assets as of June 30, 2023 and 2022, are presented in Table 3.

Table 3 – Capital Assets, Net of Accumulated Depreciation

	Balance July 1, 2022	Increases	Decreases	Transfers	Balance June 30, 2023
Land	$ 1,897,766	$ -	$ -	$ -	$ 1,897,766
Construction in Progress	5,425,002	1,938,744	-	(4,316,356)	3,047,390
Buildings	58,695,700	3,820,469	-	3,362,528	65,878,697
Equipment	10,006,121	285,867	-	-	10,291,988
Transportation Equipment	88,829,340	6,376,050	(15,335,571)	953,828	80,823,647
Total Capital Assets	164,853,929	12,421,130	(15,335,571)	-	161,939,488
Less Accumulated Depreciation	(59,251,412)	(9,830,311)	14,228,320	-	(54,853,403)
Total Capital Assets, Net of Depreciation	105,602,517	2,590,819	(1,107,251)	-	107,086,085
Right-to-Use Lease Asset					
Buses	-	688,315	-	-	688,315
Accumulated Amortization	-	(130,222)	-	-	(130,222)
Total Right-to-Use Lease Asset, Net	-	558,093	-	-	558,093
Subscription-Based Information Technology Arrangements (SBITA)					
Software	350,889	1,066,292	-	-	1,417,181
Accumulated Amortization	(38,176)	(127,987)	-	-	(166,163)
Total SBITA, Net	312,713	938,305	-	-	1,251,018
Capital Assets, Net	$ 105,915,230	$ 4,087,217	$ (1,107,251)	$ -	$ 108,895,196

As of June 30, 2023, the Authority had a net book value of over $108 million invested in capital assets. This total represents an increase of over $3.0 million. The increase is attributed to an additional maintenance facility completed in fiscal 2023 as well as additional electric bus purchases in fiscal 2023. Additional construction projects include a phase III upgrade to the part of the facility that is primarily used by the fixed route contractor. The decrease in value for transportation equipment is attributed to the transfer of rolling stock to other operators.

Additional information concerning the Authority's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt. AVTA has no direct or indirect bonded indebtedness.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022 Restated
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	$ 29,284,190	$ 21,131,188
Due from Other Governments (Note 3)	6,910,969	18,597,326
Other Receivables	99,441	104,475
Inventory	351,155	356,582
Prepaid Items	397,754	373,906
Total Current Assets	37,043,509	40,563,477
NONCURRENT ASSETS		
SBITA Asset, Net (Note 5)	1,251,018	312,713
Right-to-Use Lease Asset, Net	558,093	-
Capital Assets, Net (Note 5)	107,086,085	105,602,517
Total Assets Noncurrent Assets	108,895,196	105,915,230
Total Assets	145,938,705	146,478,707
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Contributions and Actuarial Changes	2,959,787	744,260
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	6,466,797	13,636,575
Accrued Payroll	154,630	146,706
Advances on Grant Revenue	6,900	6,900
Compensated Absences (Note 6)	13,244	56,616
Lease Liability	220,123	-
SBITA Liability	275,010	78,687
Total Current Liabilities	7,136,704	13,925,484
NONCURRENT LIABILITIES		
Noncurrent Compensated Absences	717,305	646,344
Lease Liability	342,800	-
SBITA Liability	986,162	236,186
Net Pension Liability	1,878,317	452,847
Total Noncurrent Liabilities	3,924,584	1,335,377
Total Liabilities	11,061,288	15,260,861
DEFERRED INFLOWS OF RESOURCES		
Pension Plan Assumption Differences	28,906	395,311
NET POSITION		
Net Investment in Capital Assets	107,071,101	105,600,357
Restricted for Capital Acquisition	-	1,426,375
Unrestricted	30,737,197	24,540,063
Total Net Position	$ 137,808,298	$ 131,566,795

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30,	
	2023	2022 Restated
OPERATING REVENUES		
Charges for Services		
Passenger Fares	$ 2,320,679	$ 1,957,074
Total Operating Revenues	2,320,679	1,957,074
OPERATING EXPENSES		
Purchased Transportation Services		
Outside Transit Contract	21,715,794	20,553,411
Fuel	223,589	898,941
E-Bus Energy Consumption	2,073,764	1,449,636
Other Operating Costs	1,697,526	1,768,164
General and Administrative	5,951,212	8,241,627
Depreciation and Amortization	10,088,520	8,682,789
Total Operating Expenses	41,750,405	41,594,568
OPERATING LOSS	(39,429,726)	(39,637,494)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	490,904	84,217
Local Operating Grants - Los Angeles Metropolitan Transportation Authority	15,666,427	13,615,521
Federal Operating Grants	16,965,572	12,219,252
Member Agency Contributions	3,514,475	3,318,505
Capital Related Expenses	(555,526)	(850,058)
Other	1,174,082	1,916,796
Loss on Sale of Assets	(996,371)	(1,845,212)
Total Nonoperating Revenues (Expenses)	36,259,563	28,459,021
LOSS BEFORE CAPITAL CONTRIBUTIONS	(3,170,163)	(11,178,473)
CAPITAL CONTRIBUTIONS		
Capital Grants	8,922,998	37,528,156
Member Contributions	488,668	460,896
Total Capital Contributions	9,411,666	37,989,052
CHANGE IN NET POSITION	6,241,503	26,810,579
NET POSITION, BEGINNING OF YEAR, RESTATED	131,566,795	104,756,216
NET POSITION, END OF YEAR	$ 137,808,298	$ 131,566,795

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30,	
	2023	2022 Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 2,325,713	$ 1,894,245
Nonoperating Miscellaneous Cash Received	1,174,082	1,916,796
Cash Payments to Suppliers for Goods and Services	(32,898,872)	(14,229,803)
Cash Payments to Employees for Services	(7,072,161)	(8,678,601)
NET CASH USED BY OPERATING ACTIVITIES	(36,471,238)	(19,097,363)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	32,631,999	25,834,773
Contributions Received from Member Agencies	3,514,475	3,318,505
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	36,146,474	29,153,278
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(12,421,129)	(39,438,914)
Proceeds from Sale of Capital Assets	110,880	134,228
Capital Grants Received	20,609,355	23,173,725
Grantable Expenses	(555,526)	(843,558)
Payments Made on Lease	(245,386)	(36,016)
Capital Contributions Received from Member Agencies	488,668	460,896
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	7,986,862	(16,549,639)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	490,904	84,217
NET CASH PROVIDED BY INVESTING ACTIVITIES	490,904	84,217
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,153,002	(6,409,507)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,131,188	27,540,695
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,284,190	$ 21,131,188

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	For the Year Ended June 30,	
	2023	2022 Restated
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (39,429,726)	$ (39,637,494)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation and Amortization	10,088,520	8,682,789
Miscellaneous Income	1,174,082	1,916,796
Decrease (Increase) in Other Receivables	5,034	(62,829)
Decrease in Inventory	5,427	159,828
(Increase) in Prepaid Items	(23,848)	(156,638)
(Increase) in Deferred Outflows of Resources	(2,215,527)	(26,793)
Increase (Decrease) in Accounts Payable	(7,169,778)	10,437,159
Increase in Accrued Payroll	7,924	109,733
Increase in Compensated Absences Payable	27,589	84,071
Increase (Decrease) in Net Pension Liability	1,425,470	(989,012)
Increase (Decrease) in Deferred Inflows of Resources	(366,405)	385,027
NET CASH USED BY OPERATING ACTIVITIES	$ (36,471,238)	$ (19,097,363)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES
There were no noncash investing, capital, or financing activities during the fiscal years ended June 30, 2023 and 2022.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

B. Basic Financial Statements

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

AVTA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal operations. The principal operating revenues of AVTA consist of transit fees. Nonoperating revenues consist of federal, state, and county operating grants; investment income; and jurisdictional member contributions designated for use for operating and capital purposes. Operating expenses include outside transit contracts, which provide transportation and maintenance services; fuel expenses; administrative expenses; and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

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

D. Cash and Cash Equivalents

For the purposes of the 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 to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of nine months or less.

E. Investments

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

F. Budgetary Information

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

G. Inventory and Prepaid Items

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

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

H. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Federal, State, and Local Grants

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

J. Compensated Absences

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

K. Pensions

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

L. Deferred Outflows of Resources

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

M. Deferred Inflows of Resources

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

N. Net Position

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

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

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

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

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

O. <u>Use of Estimates</u>

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

P. <u>New Accounting Pronouncements – Implemented</u>

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for fiscal years beginning after December 15, 2021. There was no effect on AVTA's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2022. There was no effect on AVTA's accounting and financial reporting as a result of implementing this standard.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2022. See Note 5 for details of AVTA's financial reporting as a result of implementing this standard.

Q. <u>Future GASB Statements</u>

GASB Statement No. 99 – *Omnibus 2022*. The requirements of this statement are effective as follows:

- The requirements related to the extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all fiscal years thereafter.

AVTA will implement GASB Statement No. 99 if and where applicable.

GASB Statement No. 100 – *Accounting Changes and Error Corrections.* The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all fiscal years thereafter. Earlier application is encouraged. AVTA will implement GASB Statement No. 100 if and where applicable.

GASB Statement No. 101 – *Compensated Absences.* The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. AVTA will implement GASB Statement No. 101 if and where applicable.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2023 and 2022, consisted of the following:

	June 30, 2023	June 30, 2022
Cash on hand	$ 938	$ 938
Deposits with financial Institutions	13,629,192	15,631,689
Investments	15,654,060	5,498,561
Total Cash and Cash Equivalents	$ 29,284,190	$ 21,131,188

Investments Authorized by the California Government Code and AVTA's Investment Policy

The table below identifies the investment types that are authorized for AVTA by the California Government Code (or AVTA's investment policy, whichever is more restrictive). The table also identifies certain provisions of the California Government Code (or AVTA's investment policy, whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of AVTA, rather than the general provisions of the California Government Code or AVTA's investment policy.

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

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or AVTA's investment policy. AVTA did not have any investments held by bond trustees as of June 30, 2023 and 2022.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Disclosures Relating to Interest Risk

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

Information about the sensitivity of the fair value of AVTA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of AVTA's investments by maturity as of June 30, 2023 and 2022:

2023		Remaining Maturity (in Months)
Investment Type	Total	12 Months or Less
Local Agency Investment Fund (LAIF)	$ 15,653,987	$ 15,653,987
Money Market Fund	73	73
Total	$ 15,654,060	$ 15,654,060

2022		Remaining Maturity (in Months)
Investment Type	Total	12 Months or Less
Local Agency Investment Fund (LAIF)	$ 5,498,488	$ 5,498,488
Money Market Fund	73	73
Total	$ 5,498,561	$ 5,498,561

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, 2023 and 2022, 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 rating by a nationally recognized statistical rating organization. LAIF and the money market fund do not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude to AVTA's investment in a single issue or instrument. AVTA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2023 and 2022, except for its investments in LAIF, AVTA did not have any investments in any one issuer that represented 5% or more of its total investment portfolio.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and AVTA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investment, other than for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the local government unit. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

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

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at June 30, 2023 and 2022:

	2023	2022
Federal Grants	$ 3,986,795	$ 14,006,216
State Grants	2,605,878	3,833,064
Local Grants		
Los Angeles Metropolitan Transportation Authority	269,666	203,461
Operating Contribution		
City of Lancaster	9,750	423,470
City of Palmdale	8,750	37,250
Los Angeles County	4,000	2,250
Other	26,130	91,615
Total Due From Other Governments	$ 6,910,969	$ 18,597,326

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the fiscal years ended June 30, 2023 and 2022, are shown below.

	Balance at July 1, 2022	Increases	Decreases	Transfers	Balance at June 30, 2023
Capital Assets, Not Being Depreciated:					
Land	$ 1,897,766	$ -	$ -	$ -	$ 1,897,766
Construction-in-Progress	5,425,002	1,938,744	-	(4,316,356)	3,047,390
Total Capital Assets, Not Being Depreciated	7,322,768	1,938,744	-	(4,316,356)	4,945,156
Capital Assets Being Depreciated:					
Buildings	58,695,700	3,820,469	-	3,362,528	65,878,697
Equipment	10,006,121	285,867	-	-	10,291,988
Transportation Equipment	88,829,340	6,376,050	(15,335,571)	953,828	80,823,647
Total Capital Assets, Being Depreciated	157,531,161	10,482,386	(15,335,571)	4,316,356	156,994,332
Less Accumulated Depreciation:					
Buildings	(19,635,201)	(3,579,147)	-	-	(23,214,348)
Equipment	(9,831,703)	(233,638)	-	-	(10,065,341)
Transportation Equipment	(29,784,508)	(6,017,526)	14,228,320	-	(21,573,714)
Total Accumulated Depreciation	(59,251,412)	(9,830,311)	14,228,320	-	(54,853,403)
Total Capital Assets, Being Depreciated, Net	98,279,749	652,075	(1,107,251)	4,316,356	102,140,929
Right-to-Use Lease Asset					
Buses	-	688,315	-	-	688,315
Accumulated Amortization	-	(130,222)	-	-	(130,222)
Total Right-to-Use Lease Asset, Net	-	558,093	-	-	558,093
SBITA					
Software	350,889	1,066,292	-	-	1,417,181
Accumulated Amortization	(38,176)	(127,987)	-	-	(166,163)
Total Right-to-Use Lease Asset, Net	312,713	938,305	-	-	1,251,018
Capital Assets, Net	$ 105,915,230	$ 4,087,217	$ (1,107,251)	$ -	$ 108,895,196

Depreciation and amortization expense for the fiscal year ended June 30, 2023, was $10,088,520.

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2021	Increases	Decreases	Transfers	Balance at June 30, 2022
Capital Assets, Not Being Depreciated:					
Land	$ 1,897,766	$ -	$ -	$ -	$ 1,897,766
Construction-in-Progress	4,384,053	8,093,491	-	(7,052,542)	5,425,002
Total Capital Assets, Not Being Depreciated	6,281,819	8,093,491	-	(7,052,542)	7,322,768
Capital Assets Being Depreciated:					
Buildings	54,421,828	-	-	4,273,872	58,695,700
Equipment	10,350,575	316,540	(660,994)	-	10,006,121
Transportation Equipment	63,929,322	31,028,883	(8,907,535)	2,778,670	88,829,340
Total Capital Assets, Being Depreciated	128,701,725	31,345,423	(9,568,529)	7,052,542	157,531,161
Less Accumulated Depreciation:					
Buildings	(16,148,607)	(3,486,594)	-	-	(19,635,201)
Equipment	(10,259,535)	(212,140)	639,972	-	(9,831,703)
Transportation Equipment	(31,787,746)	(4,945,879)	6,949,117	-	(29,784,508)
Total Accumulated Depreciation	(58,195,888)	(8,644,613)	7,589,089	-	(59,251,412)
Total Capital Assets, Being Depreciated, Net	70,505,837	22,700,810	(1,979,440)	7,052,542	98,279,749
SBITA					
Software	-	350,889	-	-	350,889
Accumulated Amortization	-	(38,176)	-	-	(38,176)
Total Right-to-Use Lease Asset, Net	-	312,713	-	-	312,713
Capital Assets, Net	$ 76,787,656	$ 31,107,014	$ (1,979,440)	$ -	$ 105,915,230

Depreciation and amortization expense for the fiscal year ended June 30, 2022, was $8,682,789.

NOTE 5 – LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal years ended June 30, 2023 and 2022, are shown below:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Amount Due Within One Year
Leases	$ -	$ 688,315	$ 125,392	$ 562,923	$ 220,123
SBITAs	314,873	1,066,293	119,994	1,261,172	275,011
Compensated Absences	702,960	345,201	317,612	730,549	13,244
Net Pension Liability	452,847	1,425,470	-	1,878,317	-
Total	$ 1,470,680	$ 3,525,279	$ 562,998	$ 4,432,961	$ 508,378

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Amount Due Within One Year
SBITAs	$ -	$ 350,889	$ 36,016	$ 314,873	$ 78,687
Compensated Absences	618,889	334,774	250,703	702,960	56,616
Net Pension Liability	1,441,859	-	989,012	452,847	-
Total	$ 2,060,748	$ 685,663	$ 1,275,731	$ 1,470,680	$ 135,303

NOTE 5 – LONG-TERM DEBT (Continued)

Lease Liability

On August 5, 2022, AVTA entered into a 36-month lease agreement as lessee for the lease of three buses. AVTA is required to make monthly fixed payments of $6,500 per bus for a total of $19,500. The lease has an interest rate of 3.0%. As of June 30, 2023, the value of the lease liability is $562,923. The right-to-use lease asset useful life was 36 months as of the contract commencement date. The value of the right-to-use lease asset as of June 30, 2023, was $688,315, and accumulated amortization was $130,222. Refer to Note 4 of the financial statements.

The annual requirements to amortize the lease liability outstanding, including interest, are as follows:

Fiscal Year Ended June 30,	Principal	Interest
2024	$ 220,123	$ 13,877
2025	226,818	7,182
2026	115,982	1,017
2027	-	-
2028	-	-
	$ 562,923	$ 22,076

Subscription-Based Information Technology Arrangements (SBITA) Liabilities

For the year ended June 30, 2023 and 2022, AVTA recognized intangible right-to-use software arrangements of $350,889 and $1,066,292, respectively. Accumulated amortization for the years ended June 30, 2023 and 2022, was $38,176 and $127,987, respectively. These assets will be amortized over the various lease terms, as the lease terms correspond with AVTA's ability to access any software or equipment related to the SBITA. There are no residual value guarantees in the arrangement provisions. The Microsoft arrangement will end July 22, 2025, the Digi-Vue arrangement will end April 1, 2026, the Planet Bids arrangement will end April 1, 2026, and the Avail arrangement will end April 1, 2028.

A summary of the combined remaining principal and interest amounts by fiscal year for the SBITA agreements is shown below:

Fiscal Year Ended June 30,	Principal	Interest
2024	$ 275,011	$ 27,444
2025	291,388	21,847
2026	280,272	15,837
2027	220,662	9,432
2028	193,839	2,675
	$ 1,261,172	$ 77,235

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS)

General Information about the Pension Plan

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

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited services. Members with five years of total service are eligible to retire at age 55, or 62 if in the PEPRA Miscellaneous Plan, with statutorily benefits. An optional benefit regarding sick leave was adopted. All members are eligible for non-duty disability benefits after 10 years of service. The system also provides for the Optional Settlement 2W Death Benefit. The COLAs for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Prior to January 1, 2013 (Classic Members)	On or after January 1, 2013 (PEPRA Members)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Retirement age monthly benefits as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.32%	7.47%

The Plan's provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Prior to January 1, 2013 (Classic Members)	On or after January 1, 2013 (PEPRA Members)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Retirement age monthly benefits as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	10.34%	7.59%

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

General Information about the Pension Plan (Continued)

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

For the fiscal years ended June 30, 2023 and 2022, the contributions recognized as part of pension expense for the Plan were as follows:

	June 30, 2023	June 30, 2022
Miscellaneous Classic	$ 263,974	$ 248,158
Miscellaneous PEPRA	197,549	190,155
	$ 461,523	$ 438,313

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

AVTA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. As of June 30, 2023 and 2022, AVTA reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of the Net Pension Liability	
	For the Year Ended June 30, 2023	For the Year Ended June 30, 2022
Miscellaneous	$ 1,878,317	$ 452,847

For the fiscal years ended June 30, 2023 and 2022, the net pension liability of the Plan is measured as of June 30, 2022 and 2021, using an annual actuarial valuation as of June 30, 2021 and 2020, rolled forward to June 30, 2022 and 2021, using standard update procedures.

AVTA's proportion of the net pension liability was based on a projection of its long-term share of contributions to the Plan relative to the projected contributions of all participating employers, actuarially determined. AVTA's proportionate share of the net pension liability for the Plan with an actuarial valuation date of June 30, 2021 and 2020, was as follows:

For the Year Ended June 30, 2023		For the Year Ended June 30, 2022	
	Miscellaneous		Miscellaneous
Proportion - June 30, 2022	0.00837%	Proportion - June 30, 2021	0.01325%
Proportion - June 30, 2023	0.01626%	Proportion - June 30, 2022	0.00837%
Change - Increase (Decrease)	-0.00789%	Change - Increase (Decrease)	0.00488%

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

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

For the fiscal years ended June 30, 2023 and 2022, AVTA recognized pension expense of $892,773 and pension income of $192,465, respectively. At June 30, 2023 and 2022, AVTA reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 37,720	$ (25,263)
Changes of Assumptions	192,473	-
Net Difference Between Projected and Actual Earnings on Plan Investments	344,058	-
Change in Employer's Proportion	293,610	-
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	42,691	(3,643)
Pension Contributions Subsequent to Measurement Date	2,049,235	-
	$ 2,959,787	$ (28,906)

2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 50,782	$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Plan Investments	-	(395,311)
Change in Employer's Proportion	177,795	-
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	77,370	-
Pension Contributions Subsequent to Measurement Date	438,313	-
	$ 744,260	$ (395,311)

$2,049,235 reported as deferred outflows of resources related to pensions are related to contributions made by AVTA subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2024. Other amounts reported as deferred outflows of resources will be amortized into pension expense as follows:

Fiscal Year Ended June 30,	
2024	$ 308,771
2025	240,685
2026	121,751
2027	210,439
2028	-
Thereafter	-
	$ 881,646

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2021 and 2020 actuarial valuations were determined using the following actuarial assumptions:

	For the Fiscal Year Ended June 30, 2023	For the Fiscal Year Ended June 30, 2022
	Miscellaneous	Miscellaneous
Valuation Date	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	6.90%	7.15%
Inflation	2.30%	2.50%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	6.90%	7.15%
Mortality Tables	Derived using CalPERS' Membership Data for all Funds. The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.	Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected ongoing mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

Further details of the Experience Study can be found on the CalPERS website.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

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

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

2023

Asset Class	Assumed Asset Allocation	Real Return Years 1-10
Global Equity - Cap-Weighted	30.0%	4.45%
Global Equity Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-Backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-59.00%
Total	100%	

2022

Asset Class	Target Allocation	Current Target Allocation	Current Target Allocation
Public Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

Discount Rate – The discount rate used to measure the total pension liability for June 30, 2023 and 2022, was 6.90 percent and 7.15 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from AVTA will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CalPERS) (Continued)

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents AVTA's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as AVTA's proportionate share of the net pension liability if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Miscellaneous Plan For the Fiscal Year Ended June 30, 2023		
1% Decrease		5.90%
Net Pension Liability	$	3,299,384
Current Discount Rate		6.90%
Net Pension Liability	$	1,878,317
1% Increase		7.90%
Net Pension Liability	$	709,130

Miscellaneous Plan For the Fiscal Year Ended June 30, 2022		
1% Decrease		6.15%
Net Pension Liability	$	1,623,206
Current Discount Rate		7.15%
Net Pension Liability	$	452,847
1% Increase		8.15%
Net Pension Liability	$	(514,672)

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

NOTE 7 – 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, 2023. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2023 and 2022.

NOTE 8 – STATE OF GOOD REPAIR

State Transit Assistance – State of Good Repair – (STA-SGR) grant funding of $112,248 was received and expended for the fiscal year ended June 30, 2023.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Litigation

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

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

B. Federal, State, and Local Grants

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

C. Purchase Contracts

AVTA has the following significant purchase commitments outstanding as of June 30, 2023. These purchase orders are for future buses AVTA has yet to receive as of June 30, 2023.

Vendor	Project	Amount	Expected Completion
BYD Motores, Inc. (BYD)	Electric Bus Fleet	$ 15,851,810	End of Fiscal Year 2024
W.A.V.E.	Inductive Bus Charging	$ 3,612,052	End of Fiscal Year 2024

AVTA has the following significant purchase commitments outstanding as of June 30, 2022. These purchase orders are for future buses AVTA has yet to receive as of June 30, 2022.

Vendor	Project	Amount	Expected Completion
BYD Motores, Inc. (BYD)	Electric Bus Fleet	$ 22,631,865	End of Fiscal Year 2023
W.A.V.E.	Inductive Bus Charging	$ 2,494,909	End of Fiscal Year 2023

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 17, 2023, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF AVTA'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2023
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019
Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Proportion of the Net Pension Liability	0.01626%	0.00837%	0.01325%	0.01219%	0.01112%
Proportionate Share of the Net Pension Liability	$ 1,878,317	$ 1,878,317	$ 1,441,859	$ 1,249,556	$ 1,071,984
Covered Payroll	$ 3,896,658	$ 3,624,812	$ 3,167,760	$ 2,685,150	$ 2,570,443
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	48.20%	51.82%	45.52%	46.54%	41.70%
Plan's Fiduciary Net Position	$ 8,546,334	$ 8,411,433	$ 6,298,492	$ 6,019,653	$ 5,338,209
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.68%	88.29%	75.10%	75.26%	75.26%

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

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

Notes to Schedule:

Benefit changes: There have been no benefit changes.

ANTELOPE VALLEY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
A COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, 2022
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019
Contractually Required Contribution (Actuarially Determined)	$ 461,523	$ 438,313	$ 402,791	$ 327,168	$ 264,578
Contributions in Relation to the Actuarially Determined Contributions	2,049,235	438,313	402,791	327,168	264,578
Contribution Deficiency (Excess)	$ (1,587,712)	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,906,676	$ 3,896,658	$ 3,624,812	$ 3,167,760	$ 2,570,443
Contributions as a Percentage of Covered Payroll	52.45%	11.25%	11.11%	10.33%	10.29%

	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 235,194	$ 226,757	$ 208,456	$ 405,595
Contributions in Relation to the Actuarially Determined Contributions	235,194	226,757	208,456	405,595
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,548,087	$ 2,602,471	$ 2,473,677	$ 2,304,600
Contributions as a Percentage of Covered Payroll	9.23%	8.71%	8.43%	17.60%

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