ANTELOPE VALLEY TRANSIT AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

ANTELOPE VALLEY TRANSIT AUTHORITY
JUNE 30, 2020 AND 2019

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BROWN ARMSTRONG
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Antelope Valley Transit Authority
Lancaster, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the Antelope Valley Transit Authority (AVTA) as of and for the years ended June 30, 2020 and 2019, and the related notes to the basic financial statements, which collectively comprise AVTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of AVTA as of June 30, 2020 and 2019, and the respective changes in financial position, and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, California Public Employees' Retirement System – Schedule of AVTA's Proportionate Share of the Net Pension Liability and the California Public Employees' Retirement System – Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 24, 2020, on our consideration of AVTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AVTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVTA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 24, 2020

ANTELOPE VALLEY TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

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 years ended June 30, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the accompanying the basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- AVTA's cash and investments at fiscal year-end June 30, 2020 was $22,390,573.
- Due from governments at June 30, 2020, was $14,289,898; of this, $7,205,140 was due from the Federal Transit Administration, $616,313 was from the Los Angeles Metropolitan Transportation Authority, and $6,389,672 was from the State of California.
- As of June 30, 2020, capital assets not subject to depreciation included $1,818,616 in land value and $12,802,607 in construction projects still in progress; capital assets being depreciated were $114,979,657.
- Total revenues, including capital contributions, from all sources were $50,105,637, reflecting an increase of $6,216,361, or a 14% increase from the previous fiscal year.
- The total costs of all AVTA's transit services and projects, excluding depreciation expense, were $33,520,517, reflecting an increase of $8,163,514, or a 32% increase over prior fiscal year.
- The total of expenses over revenue from all non-capital sources of AVTA's transit services and projects, including depreciation expense, was ($9,588,644). For the prior fiscal year, expenses exceeded revenues from noncapital sources by $4,781,542.
- Member jurisdictions contributed $2,522,697 and $145,148 in support of transit service operations and maintenance of bus stops, respectively. Member jurisdictions further contributed a total of $369,617 for non-operating capital reserves. These amounts were a reduction of ¼ less than previous year. Due to concerns over revenue losses, Palmdale and Lancaster halted their contributions beginning in the fourth quarter of F 2020.
- As of June 30, 2020, the net pension plan liability balance was $1,249,556 reflecting an increase of $177,572 from the prior year.
- AVTA's net position (the extent that assets exceeds liabilities) at the close of the fiscal year 2020 was $99,770,927. Of this amount, $77,919,888 reflects the net amount of funds invested in capital assets. The accumulation of restricted jurisdictional contributions to a capital reserve totals $6,917,872. The remaining $14,933,212 is unrestricted, and may be used to meet AVTA's ongoing financial obligations.

FINANCIAL STATEMENT OVERVIEW

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

S*tatement of Net Position.* Presents information on all of the Authority's assets and liabilities, with the difference between the two 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, non-capital financing activities, capital and non-related activities, and investing activities.

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

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

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

	June 30, 2020	June 30, 2019	June 30, 2018
ASSETS			
Assets			
Capital Assets, Net	$ 77,919,888	$ 74,420,035	$ 55,209,273
All Other Assets	37,781,025	32,704,901	32,626,384
Total Assets	115,700,913	107,124,936	87,835,657
Deferred Outflows of Resources			
Pension Plan Contributions and Actuarial Changes	678,603	677,049	843,132
Liabilities			
Current Liabilities	14,897,172	14,574,606	6,839,320
Long-term Liabilities	1,661,725	1,413,475	1,361,113
Total Liabilities	16,558,897	15,988,081	8,200,433
Deferred Inflows of Resources			
Pension Plan Assumption Differences	49,692	54,474	71,796
Net Position			
Net Investment in Capital Assets	77,919,888	74,420,035	55,209,273
Restricted for Capital Acquisition	6,917,827	5,517,936	6,917,826
Unrestricted	14,933,212	11,821,459	18,279,461
Total Net Position	$ 99,770,927	$ 91,759,430	$ 80,406,560

Discussion of Statement of Net Position. AVTA experienced an increase in total assets from 2019 to 2020 of $8,575,977. This is primarily due to the addition of 21 new electric buses to our fleet as well as infrastructure for electric charging. AVTA is continuing to strive towards an all-electric fleet. AVTA has succeeded in transitioning the local service fleet to all-electric in Fiscal Year 2020. The commuter service buses are due to transition to electric beginning in Fiscal Year 2021 and continuing in to Fiscal Year 2022. AVTA continues to be a leader in electric bus usage in the nation.

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

Unrestricted net assets of over $14 million are available to meet AVTA's ongoing financial obligations, and just under $7 million in restricted net position is for the replacement of capital assets are available to serve as local match requirements for transit fleet procurement. Approximately $230,000 of the jurisdictional capital reserve was used in fiscal 2020 toward the acquisition of electric buses. The replacement units planned for acquisition in fiscal years 2021 and beyond will make use of these capital reserve funds as AVTA replaces diesel commuter coaches with electric.

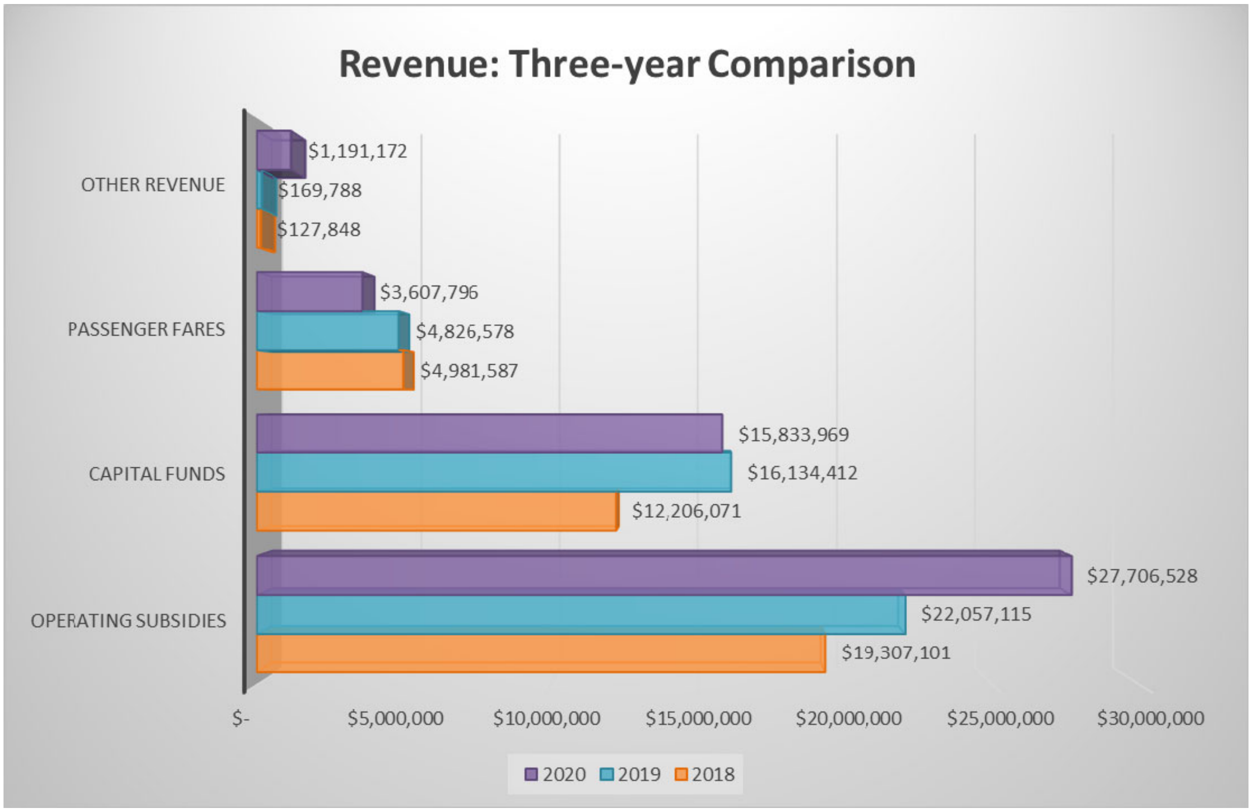
Overall, the Authority has seen an 8.7% increase in Net Position in Fiscal Year 2020. AVTA anticipates continued grant funding, primarily from the state of California, for the replacement and expansion of the local transit fleet in years to come.

REVENUE AND EXPENSES: CHANGES IN NET POSITION

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

	June 30, 2020	June 30, 2019	June 30, 2018
Revenues			
Passenger Fares	$ 3,607,796	$ 4,826,578	$ 4,981,587
Nonoperating funds	26,989,761	22,057,115	19,307,101
Capital Funds	17,600,141	16,134,412	12,206,071
Investment Income and Other Revenue	141,767	169,788	127,848
Total Revenues	48,339,465	43,187,893	36,622,607
Expenses			
Purchased Transportation Services			
Outside Transit Contract	18,250,614	16,860,871	16,069,098
Fuel	1,358,555	2,036,716	2,228,593
E-Bus Energy Consumption	734,243	411,704	222,115
Other Operating Costs	7,432,142	1,010,306	902,306
General and Administrative	5,744,963	5,037,406	5,156,074
Subtotal Expenses Before Depreciation	33,520,517	25,357,003	24,578,186
Depreciation	6,807,451	6,478,020	4,233,182
Total Expenses Including Depreciation/Interest	40,327,968	31,835,023	28,811,368
Change in Net Position	8,011,497	11,352,870	7,811,239
Net Position			
Beginning of Year	91,759,430	80,406,560	72,595,321
End of Year	$ 99,770,927	$ 91,759,430	$ 80,406,560

Figure 1 – Analysis of Revenues



In the above three-year comparison, other revenue included interest income and other revenue for fiscal year 2019/20. For fiscal years 2018/19 and 2017/18, other revenue included interest income only.

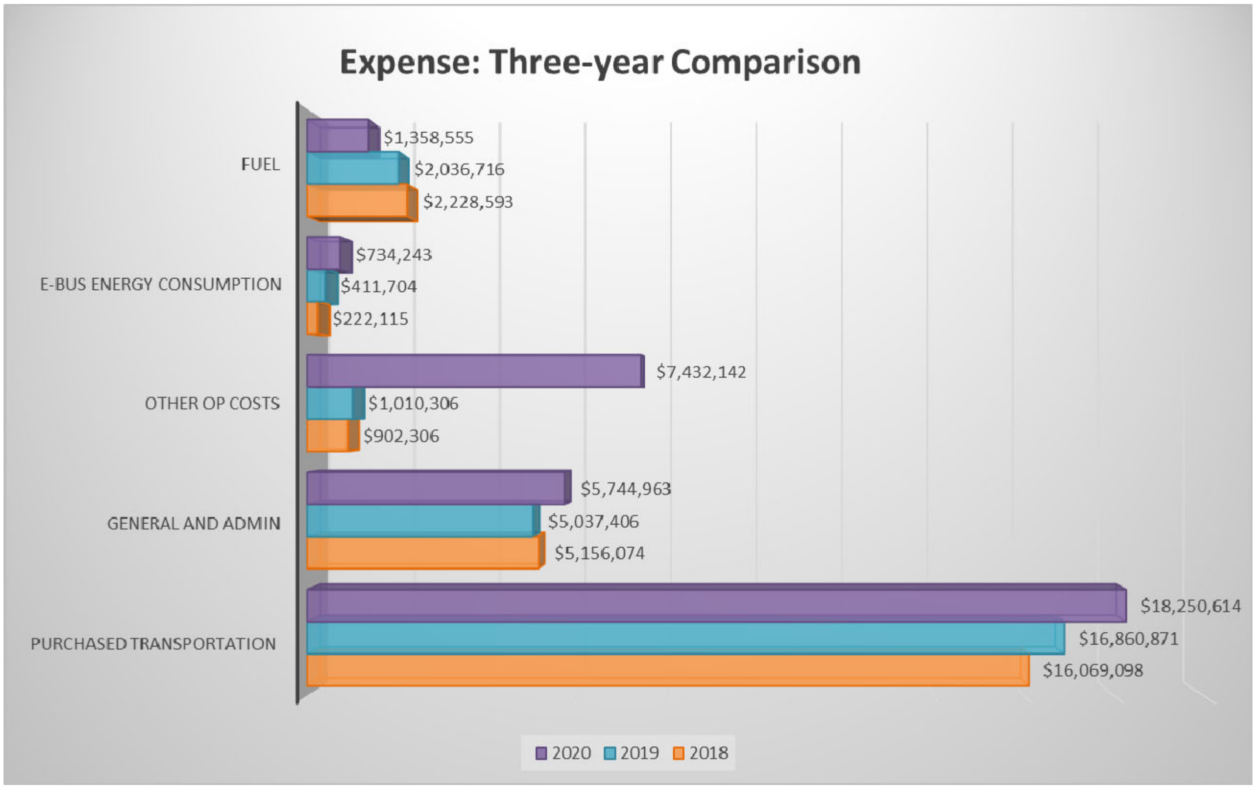
Discussion of Revenues. For the fiscal year ended June 30, 2020, AVTA's total revenues, including capital contributions, from all sources were $48,339,465 up $5,151,572, or almost 12% from fiscal year 2019. AVTA has begun to feel the effects of the COVID-19 pandemic. Fare revenues in fiscal year 2020 reduced by over 25% from the prior fiscal year. This is primarily due to the reduction of service AVTA deployed as a safety precaution during the months of April May and June. AVTA halted its commuter line completely during part of the last quarter as well. All services are expected to return in full capacity by the end of October 2020.

The passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act has been a vital injection of operating revenue for AVTA in fiscal 2020 and will continue to help the agency recover from revenue loss in subsequent years. The CARES act funding is the primary source of the increase in operating subsidies of over 25% when compared to the previous fiscal year.

AVTA receives significant operation funds from local taxes and Federal operating grants. In Fiscal Year 2020 AVTA received just under $14 million in local tax funding though Los Angeles County Metro, who facilitates the distribution of Los Angeles transportation tax funds to eligible operators. Additionally, AVTA received approximately $11 million in operational subsidies directly from the Federal Transportation Administration.

The significant increase in Other Revenue in Fiscal Year 2020 is overwhelmingly due to a new revenue source from Low Carbon Fuel Standard (LCFS) Credits. These are credits AVTA earns from using electric vehicles in the state of California. AVTA began selling these credits in Fiscal Year 2020 and has earned just over $800 thousand this fiscal year.

Figure 2 – Analysis of Expenditures



Discussion of Expenses. AVTA's operating expenses are reported in the following major categories: purchased transportation services, fuel, E-bus energy consumption, other operating expenses, and general and administrative expenses. The comparative level of expenditures for each operating expense category for Fiscal Year 2020, 2019 and Fiscal Year 2018 are shown in Figure 2 above.

Total operating expenses prior to depreciation in Fiscal Year 2020 were $33,520,517. This represents a significant increase of over $8 million dollars compared to Fiscal Year 2019 or 32%. Over $4 million of that increase is due to a non-cash expense of loss on sale (or transfer) of assets shown in the Other Operating costs category above. In Fiscal Year 2020, AVTA transferred several buses that still had useful life to other agencies in the United States as AVTA replaced those diesel-fuel buses with electric. Therefore, AVTA had to recognize the remaining asset amounts (net of depreciation) when the assets were transferred. The diesel-fuel buses that were transferred were fully funded by federal capital grants. The Federal Transportation Administration supports and approves the transfer of buses to other federally funded transportation agencies. The other significant increase in the category of Other Operating Costs is due to increased security measures at AVTA and AVTA's transfer centers in multiple locations within the Antelope Valley.

AVTA contracts with Transdev Transportation for fleet dispatch, field operations and maintenance of local and commuter routes. The total of purchased transportation for local and commuter in Fiscal Year 2020 is $16,832,270. Making up 92% of the Purchased Transportation total. AVTA contracted with the IntelliRide Company for Dial-A-Ride services for the first three quarters of the year and began a new contract with Antelope Valley Transportation Services (AVTS) in the fourth quarter. The contract with AVTS for Dial-a-Ride services will introduce some cost savings to AVTA. Dial-a-Ride services comprise a total of $1,418,344 of total Purchased Transportation. Purchased Transportation overall increased by $1,389,743 or just over 8% due to annualized contract increases that occur January 1st of every year as well as some route changes.

Fuel in this chart is used to describe traditional fuels of diesel and unleaded. AVTA's traditional fuel cost has continued to decrease for a third year in a row. Fiscal Year 2020 saw a decrease of over 33% or a total of $678,161 compared to Fiscal Year 2019. For the third year in a row, AVTA has chosen to separate the E-Bus Energy consumption as its own operating cost. This represents the electricity strictly used to propel the electric buses. Electricity used for bus propulsion has increased by $322,539 over Fiscal Year 2019 that represents a one-year savings of over $355 thousand by switching to electric buses.

General & administrative expenses in Fiscal Year 2020 increased $707,577 over Fiscal Year 2019. The majority of General and administrative costs were from personnel. AVTA has increased staff to a total of 50 individuals which represents the majority of this increase.

In addition to these operating expenses, depreciation expense increased from $6,478,020 in Fiscal Year 2019 to $6,807,451 remaining relatively stable as AVTA removes older buses from the fleet and replaces them with new electric buses.

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, 2020, unrestricted net position was just under $15 million, an increase of $3,111,753 over the prior year. The biggest contributor to this increase is the influx of federal operating assistance that has allowed AVTA to keep reserves instead of deplete them. Additionally the addition of LCFS credits as a new revenue source has contributed to the continued financial health of the agency.

CAPITAL ASSETS

The details of the Authority's investment in capital assets as of June 30, 2020 and June 30, 2019 are presented in Table 3.

Table 3 – Capital Assets net of Accumulated Depreciation

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Land	$ 1,816,616	$ -	$ -	$ 1,816,616
Construction in Progress	8,852,311	4,263,001	(312,705)	12,802,607
Buildings	41,228,488	862,664	-	42,091,152
Equipment	9,973,530	42,562	-	10,016,092
Transportation Equipment	68,971,199	10,570,843	(16,669,629)	62,872,413
Total Capital Assets	130,842,144	15,739,070	(16,982,334)	129,598,880
Less Accumulated Depreciation/Amortization	(56,422,109)	(6,807,451)	11,550,568	(51,678,992)
Total Assets, Net of Depreciation/Amortization	$ 74,420,035	$ 8,931,619	$ (5,431,766)	$ 77,919,888

As of June 30, 2020, the Authority had a book value of $77.9 million invested in capital assets. This total represents a net increase of $3.5 million. The increase is primarily attributable to the purchase of 21 electric buses during fiscal 2020 as shown with the $10.6 million dollar increase in assets.

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

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note 2)	$ 22,390,573	$ 23,857,264
Due from Other Governments (Note 3)	14,289,898	7,731,510
Other Receivables	74,388	153,710
Inventory	522,023	404,669
Prepaid Items	504,143	557,748
Total Current Assets	37,781,025	32,704,901
NONCURRENT ASSETS		
Capital Assets, Depreciated, Net (Note 5)	77,919,888	74,420,035
Total Assets	115,700,913	107,124,936
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan Contributions and Actuarial Changes	678,603	677,049
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	14,665,190	13,389,475
Accrued Payroll	105,951	76,273
Advances on Grant Revenue		
Proposition 1B (Note 4)	60,796	1,016,174
Other Advances	9,250	45,000
Compensated Absences (Note 6)	55,985	47,684
Total Current Liabilities	14,897,172	14,574,606
NONCURRENT LIABILITIES		
Noncurrent Compensated Absences	412,169	341,491
Net Pension Liability	1,249,556	1,071,984
Total Noncurrent Liabilities	1,661,725	1,413,475
Total Liabilities	16,558,897	15,988,081
DEFERRED INFLOWS OF RESOURCES		
Pension Plan Assumption Differences	49,692	54,474
NET POSITION		
Net Investment in Capital Assets	77,919,888	74,420,035
Restricted for Capital Acquisition	6,917,827	5,517,936
Unrestricted	14,933,212	11,821,459
Total Net Position	$ 99,770,927	$ 91,759,430

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020	2019
OPERATING REVENUES		
Charges for Services		
Passenger Fares	$ 3,607,796	$ 4,826,578
Total Operating Revenues	3,607,796	4,826,578
OPERATING EXPENSES		
Purchased Transportation Services		
Outside Transit Contract	18,250,614	16,860,871
Fuel	1,358,555	2,036,716
E-Bus Energy Consumption	734,243	411,704
Other Operating Costs	7,432,142	1,010,306
General and Administrative	5,744,963	5,037,406
Depreciation	6,807,451	6,478,020
Total Operating Expenses	40,327,968	31,835,023
OPERATING LOSS	(36,720,172)	(27,008,445)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	141,767	169,788
Local Operating Grants - LA Metro	13,946,677	12,192,195
Federal Operating Grants	11,092,006	6,575,745
Member Agency Contributions	2,667,845	3,308,099
Capital Related Expenses	(1,766,172)	(701,383)
Other	1,049,405	682,459
Total Nonoperating Revenues and Expenses	27,131,528	22,226,903
LOSS BEFORE CAPITAL CONTRIBUTIONS	(9,588,644)	(4,781,542)
CAPITAL CONTRIBUTIONS		
Capital Grants	17,230,524	15,673,518
Member Contributions	369,617	460,894
Total Capital Contributions	17,600,141	16,134,412
CHANGE IN NET POSITION	8,011,497	11,352,870
NET POSITION, BEGINNING OF YEAR	91,759,430	80,406,560
NET POSITION, END OF YEAR	$ 99,770,927	$ 91,759,430

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$ 3,687,118	$ 4,994,822
Nonoperating Miscellaneous Cash Received	1,049,405	682,459
Cash Payments to Suppliers for Goods and Services	(26,563,588)	(11,863,970)
Cash Payments to Employees for Services	(5,465,070)	(4,803,898)
NET CASH USED BY OPERATING ACTIVITIES	(27,292,135)	(10,990,587)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Grants Received	25,038,683	18,767,940
Contributions Received from Member Agencies	2,667,845	3,308,099
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	27,706,528	22,076,039
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	(15,426,365)	(26,766,053)
Proceeds from Sale of Capital Assets	5,119,061	1,077,271
Capital Grants Received	10,672,136	19,905,213
Grantable Expenses	(2,757,300)	(2,623,950)
Capital Contributions Received from Member Agencies	369,617	460,894
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,022,851)	(7,946,625)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	141,767	169,788
NET CASH PROVIDED BY INVESTING ACTIVITIES	141,767	169,788
NET(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,466,691)	3,308,615
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,857,264	20,548,649
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,390,573	$ 23,857,264

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

ANTELOPE VALLEY TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	For the Year Ended June 30,	
	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (36,720,172)	$ (27,008,445)
Adjustments to Net Cash Used by Operating Activities		
Depreciation	6,807,451	6,478,020
Miscellaneous Income	1,049,405	682,459
Decrease in Other Receivables	79,322	168,244
(Increase) in Inventory	(117,354)	(78,319)
(Increase) Decrease in Prepaid Items	53,605	(175,860)
(Increase) Decrease in Deferred Outflows of Resources	(1,554)	166,083
Increase in Accounts Payable	1,275,715	8,709,806
Increase in Accrued Payroll	29,678	28,040
Increase in Compensated Absences Payable	78,979	84,624
Increase (Decrease) in Net Pension Liability	177,572	(27,917)
(Decrease) in Deferred Inflows of Resources	(4,782)	(17,322)
NET CASH USED BY OPERATING ACTIVITIES	$ (27,292,135)	$ (10,990,587)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES
There were no noncash investing, capital, or financing activities during the years ended June 30, 2020 and 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

B. Basic Financial Statements

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

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

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

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

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u> (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. <u>Cash and Cash Equivalents</u>

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. <u>Investments</u>

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. <u>Budgetary Information</u>

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

G. <u>Inventory and Prepaid Items</u>

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. <u>Capital Assets</u>

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 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. Use of Estimates

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

P. New Accounting Pronouncements – Implemented

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this statement were effective immediately upon issuance in May 2020. This pronouncement delayed the effective date of several future GASB statements. There was no other effect on AVTA's accounting and financial reporting as a result of implementing this standard.

Q. Future GASB Statements

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement were originally effective for periods beginning after December 15, 2018. GASB Statement No. 95 delayed the effective date to December 15, 2019. AVTA will implement GASB Statement No. 84 if and where applicable.

GASB Statement No. 87 – *Leases.* The requirements of this statement were originally effective for periods beginning after December 15, 2019. GASB Statement No. 95 delayed the effective date to June 15, 2021. AVTA will implement GASB Statement No. 87 if and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The requirements of this statement were originally effective for periods beginning after December 15, 2019. GASB Statement No. 95 delayed the effective date to December 15, 2020. AVTA will implement GASB Statement No. 89 if and where applicable.

GASB Statement No. 90 – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61.* The requirements of this statement were originally effective for periods beginning after December 15, 2018. GASB Statement No. 95 delayed the effective date to December 15, 2019. AVTA will implement GASB Statement No. 90 if and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement were originally effective for periods beginning after December 15, 2020. GASB Statement No. 95 delayed the effective date to December 15, 2021. AVTA will implement GASB Statement No. 91 if and where applicable.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. AVTA will implement GASB Statement No. 92 if and where applicable.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement were originally effective for periods beginning after June 15, 2020. GASB Statement No. 95 delayed the effective date to June 15, 2021. AVTA will implement GASB Statement No. 93 if and where applicable.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for periods beginning after June 15, 2022. AVTA will implement GASB Statement No. 94 if and where applicable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Future GASB Statements (Continued)

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for periods beginning after June 15, 2022. AVTA will implement GASB Statement No. 96 if and where applicable.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The requirements of this statement are effective for periods beginning after June 15, 2021. AVTA will implement GASB Statement No. 97 if and where applicable.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2020 and 2019, consisted of the following:

	June 30, 2020	June 30, 2019
Cash on hand	$ 938	$ 750
Deposits with financial Institutions	9,601,086	16,472,545
Investments	12,788,549	7,383,969
Total Cash and Cash Equivalents	$ 22,390,573	$ 23,857,264

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 the RTA, rather than the general provisions of the California Government Code or the 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.

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, 2020 and 2019.

Disclosures Relating to Interest Risk

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

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, 2020 and 2019:

2020		Remaining Maturity (in Months)
Investment Type	Total	12 Months or Less
Local Agency Investment Fund (LAIF)	$ 5,288,364	$ 5,288,364
Money Market Fund	73	73
Total	$ 5,288,437	$ 5,288,437

2019		Remaining Maturity (in Months)
Investment Type	Total	12 Months or Less
Local Agency Investment Fund (LAIF)	$ 5,517,936	$ 5,517,936
Money Market Fund	1,866,033	1,866,033
Total	$ 7,383,969	$ 7,383,969

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

AVTA's money market fund is highly liquid and, therefore, considered as cash equivalents. As of June 30, 2020, the money market fund makes up approximately 0.00% of AVTA's portfolio, which is below AVTA's investment policy of 15% maximum limit. As of June 30, 2019, the money market fund makes up approximately 16.3% of AVTA's portfolio, which exceeds AVTA's investment policy of 15% maximum limit.

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2020 and 2019, AVTA did not have any investments whose fair values are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

NOTE 2 – <u>CASH AND CASH EQUIVALENTS</u> (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, 2020 and 2019, except for its investments in LAIF and Wells Fargo Bank, AVTA did not have any investments in any one issuer that represented 5% or more of its total investment portfolio.

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 – <u>DUE FROM OTHER GOVERNMENTS</u>

Due from other governments consisted of the following at June 30, 2020 and 2019:

	2020	2019
Federal Grants	$ 7,205,140	$ 2,526,612
State Grants	6,389,672	3,019,811
Local Grants - MTA	616,313	2,142,087
Operating Contribution		
City of Lancaster	-	20,250
City of Palmdale	-	17,250
LA County	1,250	-
Other	77,523	5,500
Total Due From Other Governments	$ 14,289,898	$ 7,731,510

NOTE 4 – ADVANCES

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of $19.9 billion was deposited into the PTMISEA Fund, $3.6 billion of which was made available to fund grants to project sponsors in California for approved eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement. It is AVTA's practice to record as unearned revenue any funds received prior to the incurrence of eligible expenses. PTMISEA activity during the years ended June 30, 2020 and 2019, was as follows:

Unspent PTMISEA Cash Receipts as of June 30, 2018	$ 2,023,011
PTMISEA Funds Received During the Year Ended June 30, 2019	915,662
PTMISEA Expenses Incurred During the Year Ended June 30, 2019	(1,922,499)
Unspent PTMISEA Cash Receipts as of June 30, 2019	1,016,174
PTMISEA Funds Received During the Year Ended June 30, 2020	-
PTMISEA Expenses Incurred During the Year Ended June 30, 2020	(955,378)
Unspent PTMISEA Cash Receipts as of June 30, 2020	$ 60,796

NOTE 5 – CAPITAL ASSETS

A schedule of changes in capital assets for the years ended June 30, 2020 and 2019, are shown below.

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	$ 1,816,616	$ -	$ -	$ 1,816,616
Construction-in-Progress	8,852,311	4,263,001	(312,705)	12,802,607
Total Capital Assets, Not Being Depreciated	10,668,927	4,263,001	(312,705)	14,619,223
Capital Assets Being Depreciated:				
Buildings	41,228,488	862,664	-	42,091,152
Equipment	9,973,530	42,562	-	10,016,092
Transportation Equipment	68,971,199	10,570,843	(16,669,629)	62,872,413
Total Capital Assets, Being Depreciated	120,173,217	11,476,069	(16,669,629)	114,979,657
Less Accumulated Depreciation:				
Buildings	(12,625,045)	(1,661,636)	-	(14,286,681)
Equipment	(9,054,183)	(632,712)	-	(9,686,895)
Transportation Equipment	(34,742,881)	(4,513,103)	11,550,568	(27,705,416)
Total Accumulated Depreciation	(56,422,109)	(6,807,451)	11,550,568	(51,678,992)
Total Capital Assets, Being Depreciated, Net	63,751,108	4,668,618	(5,119,061)	63,300,665
Capital Assets, Net	$ 74,420,035	$ 8,931,619	$ (5,431,766)	$ 77,919,888

Depreciation expense for the year ended June 30, 2020, was $6,807,451.

NOTE 5 – CAPITAL ASSETS (Continued)

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

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

NOTE 6 – LONG-TERM DEBT

A schedule of changes in long-term debt for the years ended June 30, 2020 and 2019, are shown below:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Amount Due Within One Year
Compensated Absences	$ 389,175	$ 323,967	$ 244,988	$ 468,154	$ 55,985
Net Pension Liability	1,071,984	177,572	-	1,249,556	-
Total	$ 1,461,159	$ 501,539	$ 244,988	$ 1,717,710	$ 55,985

	Balance at July 1, 2018	Increases	Decreases	Balance at June 30, 2019	Amount Due Within One Year
Compensated Absences	$ 304,551	$ 436,858	$ 352,234	$ 389,175	$ 47,684
Net Pension Liability	1,099,907	-	27,923	1,071,984	-
	$ 1,404,458	$ 436,858	$ 380,157	$ 1,461,159	$ 47,684

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS)

General Information about the Pension Plan

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

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments (COLA), and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited services. Members with five years of total service are eligible to retire at age 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, 2020, 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	9.68%	6.99%

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

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

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

General Information about the Pension Plan (Continued)

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

For the years ended June 30, 2020 and 2019, the contributions recognized as part of pension expense for the Plan were as follows:

	June 30, 2020	June 30, 2019
Miscellaneous Classic	$ 213,200	$ 175,933
Miscellaneous PEPRA	113,968	88,645
	$ 327,168	$ 264,578

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, 2020 and 2019, 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, 2020	For the Year Ended June 30, 2019
Miscellaneous	$ 1,249,556	$ 1,071,984

For the years ended June 30, 2020 and 2019, the net pension liability of the Plan is measured as of June 30, 2019 and 2018, using an annual actuarial valuation as of June 30, 2018 and 2017, rolled forward to June 30, 2019 and 2018, 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, 2019 and 2018, was as follows:

For the Year Ended June 30, 2020		For the Year Ended June 30, 2019	
	Miscellaneous		Miscellaneous
Proportion - June 30, 2019	0.01112%	Proportion - June 30, 2018	0.01109%
Proportion - June 30, 2020	0.01219%	Proportion - June 30, 2019	0.01112%
Change - Increase (Decrease)	-0.00107%	Change - Increase (Decrease)	-0.00003%

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

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

For the years ended June 30, 2020 and 2019, AVTA recognized pension expense of $498,404 and $385,422, respectively. At June 30, 2020 and 2019, AVTA reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 86,787	$ (6,724)
Changes of Assumptions	59,585	(21,122)
Net Difference Between Projected and Actual Earnings on Plan Investments	-	(21,846)
Change in Employer's Proportion	168,343	-
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	36,720	-
Pension Contributions Subsequent to Measurement Date	327,168	-
	$ 678,603	$ (49,692)

2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 41,130	$ (13,997)
Changes of Assumptions	122,209	(29,951)
Net Difference Between Projected and Actual Earnings on Plan Investments	5,300	-
Change in Employer's Proportion	185,557	(10,526)
Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	58,275	-
Pension Contributions Subsequent to Measurement Date	264,578	-
	$ 677,049	$ (54,474)

$327,168 reported as deferred outflows of resources related to pensions are related to contributions made by AVTA subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources will be amortized into pension expense as follows:

Fiscal Year Ending June 30,	
2021	$ 213,974
2022	50,282
2023	33,072
2024	4,415
2025	-
Thereafter	-
	$ 301,743

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

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

	For the Year Ended June 30, 2020 Miscellaneous	For the Year Ended June 30, 2019 Miscellaneous
Valuation Date	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2019	June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.15%	7.15%
Inflation	2.50%	2.50%
Salary Increases	Varies by entry age and service	Varies by entry age and service
Investment Rate of Return	7.15% net of investment and administrative expenses	7.50% net of investment and administrative expenses
Mortality Tables	Derived using CalPERS' Membership Data for all Funds. The mortality rates include 15 years of projected on-going mortality improvement using 90% of Scale MP 2016 published by the Society of Actuaries	Derived from CalPERS' membership data
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The actuarial assumptions used for the June 30, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

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

2020

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

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

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

2019

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

Discount Rate – The discount rate used to measure the total pension liability for June 30, 2020 and 2019, was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan's investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Miscellaneous Plan For the Year Ended June 30, 2020		
1% Decrease		6.15%
Net Pension Liability	$	2,227,287
Current Discount Rate		7.15%
Net Pension Liability	$	1,249,556
1% Increase		8.15%
Net Pension Liability	$	442,508

Miscellaneous Plan For the Year Ended June 30, 2019		
1% Decrease		6.15%
Net Pension Liability	$	1,939,098
Current Discount Rate		7.15%
Net Pension Liability	$	1,071,984
1% Increase		8.15%
Net Pension Liability	$	356,195

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

NOTE 8 – RISK MANAGEMENT

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

NOTE 8 – RISK MANAGEMENT (Continued)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. AVTA maintains workers' compensation insurance policies covering claims up to $5,000,000. An excess coverage insurance policy covers individual claims in excess of $5,000,000. AVTA does not have any liabilities for unpaid claims as of June 30, 2020. Settled claims have not exceeded insurance coverage limits during the years ended June 30, 2020 and 2019.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Litigation

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

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

B. Federal, State, and Local Grants

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

C. Purchase Contracts

AVTA has the following significant purchase commitments outstanding as of June 30, 2020. These purchase orders are for future buses AVTA has yet to receive as of June 30, 2020. The commitment with BYD Motores, Inc. was cancelled prior to year-end and AVTA contracted with MCI for additional buses.

Vendor	Project	Amount	Expected Completion
BYD Motores, Inc. (BYD)	Electric Bus Fleet	$ 14,297,956	End of Fiscal Year 2022
Motor Coach Industries (MCI)	Electric Bus Fleet	$ 30,768,090	End of Fiscal Year 2022

NOTE 10 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring certain non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements

Subsequent events have been evaluated through November 24, 2020, 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, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement Period	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the Net Pension Liability	0.01219%	0.01112%	0.01109%	0.01018%	0.00916%	0.01027%
Proportionate Share of the Net Position Liability	$ 1,249,556	$ 1,071,984	$ 1,099,901	$ 880,874	$ 629,016	$ 639,229
Covered Payroll	$ 2,685,150	$ 2,570,443	$ 2,548,087	$ 2,602,471	$ 2,473,677	$ 2,304,600
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	46.54%	41.70%	43.17%	33.85%	25.43%	27.74%
Plan's Fiduciary Net Position	$ 6,019,653	$ 5,338,209	$ 4,678,869	$ 4,001,269	$ 3,563,767	$ 3,127,307
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	75.26%	73.31%	74.06%	78.40%	83.03%

* Fiscal year 2015 was the 1st year of implementation; therefore, only six 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, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Contractually Required Contribution (Actuarially Determined)	$ 327,168	$ 264,578	$ 235,194	$ 226,757	$ 208,456	$ 405,595
Contributions in Relation to the Actuarially Determined Contributions	327,168	264,578	235,194	226,757	208,456	405,595
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 2,685,150	$ 2,570,443	$ 2,548,087	$ 2,602,471	$ 2,473,677	$ 2,304,600
Contributions as a Percentage of Covered Payroll	12.18%	10.29%	9.23%	-8.71%	-8.43%	-17.60%

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