



Regular Meeting of the Board of Directors

Tuesday, November 26, 2019

10:00 a.m.

Antelope Valley Transit Authority Community Room
42210 6th Street West, Lancaster, California
www.avta.com

AGENDA

For record keeping purposes, and if staff may need to contact you, we request that a speaker card, located at the Community Room entrance, be completed and deposited with the AVTA Clerk of the Board. This will then become public information. Please note that you do not have to complete this form or state your name to speak. A three-minute time limit will be imposed on all speakers other than staff members.

In accordance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please contact the Clerk of the Board at (661) 729-2206 at least 72 hours prior to the scheduled Board of Directors meeting.

Translation services for Limited English Proficiency (LEP) persons are also available by contacting the Clerk of the Board at least 72 hours prior to the meeting.

Please turn off, or set to vibrate, cell phones, pagers, and other electronic devices for the duration of this meeting.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL:

Chairman Marvin Crist, Vice Chair Dianne Knippel, Director Steve Hofbauer, Director Angela Underwood–Jacobs, Director Michelle Flanagan, Director Richard Loa

APPROVAL OF AGENDA

PUBLIC BUSINESS – AGENDIZED AND NON-AGENDIZED ITEMS:

If you would like to address the Board on any agendized or non-agendized items, you may present your comments at this time. Please complete a speaker card (available as you enter the Community Room) and provide it to the Clerk of the Board. Speaking clearly, state and spell your name for the record. **State law generally prohibits the Board of Directors from taking action on or discussing non-agenda items; therefore, your matter will be referred to the Authority's Executive Director/CEO for follow-up.** Each speaker is limited to three (3) minutes.

SPECIAL REPORTS, PRESENTATIONS, AND REQUESTS FOR DIRECTION (SRP): During this portion of the meeting, staff will present information not normally covered under regular meeting items. This information may include, but is not limited to budget presentations, staff conference presentations, or information from outside sources that relates to the transit industry. **Staff will seek direction as is necessary from the Board with regard to the following item(s).**

SRP 1 RECOGNITION OF AVTA EMPLOYEES – MARTIN TOMPKINS AND JUDY VACCARO-FRY

SRP 2 RECOGNITION OF TRANSDEV OPERATOR AND EMPLOYEE OF THE MONTH FOR OCTOBER 2019 – MIKE SORENSEN

SRP 3 LEGISLATIVE REPORT FOR NOVEMBER – JUDY VACCARO-FRY

SRP 4 OPERATIONS KEY PERFORMANCE INDICATORS (KPI) REPORT – MARTIN TOMPKINS

SRP 5 MAINTENANCE KPI REPORT – MARK PERRY

CONSENT CALENDAR (CC): Items 1 through 3 consent items that may be received and filed and/or approved by the Board in a single motion. If any member of the Executive Board wishes to discuss a consent item, please request that the item be pulled for further discussion and potential action.

CC 1 BOARD OF DIRECTORS MEETING MINUTES OF OCTOBER 22, 2019 – KAREN DARR

Recommended Action: Approve the Board of Directors Regular Meeting Minutes of October 22, 2019.

CC 2 FINANCIAL REPORT FOR OCTOBER 2019 – JUDY VACCARO-FRY

Recommended Action: Receive and file the Financial Report for October 2019.

CC 3 GRANT STATUS REPORT – JUDY VACCARO-FRY

Recommended Action: Receive and file the Grant Status Report.

NEW BUSINESS (NB):

NB 1 DRAFT AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019 – JUDY VACCARO-FRY

Recommended Action: Approve the Draft Audited Financial Statements and Single Audit Report of Federal Awards for the year ended June 30, 2019.

NB 2 CONTRACT #2020-04 TO TAFT ELECTRIC COMPANY FOR ELECTRIC BUS CHARGING AT SIERRA HIGHWAY AND JACKMAN STREET WITHIN THE CITY OF LANCASTER – MARK PERRY

Recommended Action: Authorize the Executive Director/CEO to execute Contract #2020-04 with Taft Electric Company, Ventura, CA for electric bus charging at Sierra Highway and Jackman Street within the City of Lancaster in the amount of \$1,187,491 plus applicable permit fees and sales tax.

CLOSED SESSION (CS):

PRESENTATION BY LEGAL COUNSEL OF ITEM(S) TO BE DISCUSSED IN CLOSED SESSION:

CS 1 Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(a)

Pending Litigation (tendered to Transdev): Jane Doe v. Transdev et al.
LASC Case No. 19AVCV00835

CS 2 Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(d)(2)

Significant exposure to litigation (one potential case)

CS 3 Conference with Legal Counsel – Pursuant to Government Code Section 54956.9(d)(4)

Consideration of whether to initiate litigation (one potential case)

RECESS TO CLOSED SESSION

RECONVENE TO PUBLIC SESSION

REPORT BY LEGAL COUNSEL OF ACTION TAKEN IN CLOSED SESSION

REPORTS AND ANNOUNCEMENTS (RA):

RA 1 Report by the Executive Director/CEO

MISCELLANEOUS BUSINESS – NON-AGENDA BOARD OF DIRECTORS ITEMS:

During this portion of the meeting, Board Members may address non-agenda items by briefly responding to statements made or questions posed by the public, asking a question for clarification, making a brief announcement, or making a brief report on their own activities. **State law generally prohibits the AVTA Board of Directors from taking action on or discussing items not on the agenda.** Matters will be referred to the Executive Director/CEO for follow-up.

ADJOURNMENT:

Adjourn to the Regular Meeting of the Board of Directors on January 28, 2020 at 10:00 a.m. in the Antelope Valley Transit Authority Community Room, 42210 6th Street West, Lancaster, CA.

The agenda was posted by 5:00 p.m. on November 21 at the entrance to the Antelope Valley Transit Authority, 42210 6th Street West, Lancaster, CA 93534.

Copies of the staff reports and attachments or other written documentation relating to each proposed item of business on the agenda presented for discussion by the Board of Directors are on file in the Office of the Executive Director/CEO. Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the AVTA to the Board of Directors less than 72 hours prior to that meeting are on file in the Office of the Executive Director/CEO. These documents are available for public inspection during regular business hours at the Customer Service window of the AVTA at 42210 6th Street West, Lancaster or by contacting the Clerk of the Board at (661) 729-2206.

SRP 4

FY 2020 Monthly Operations Key Performance Indicators

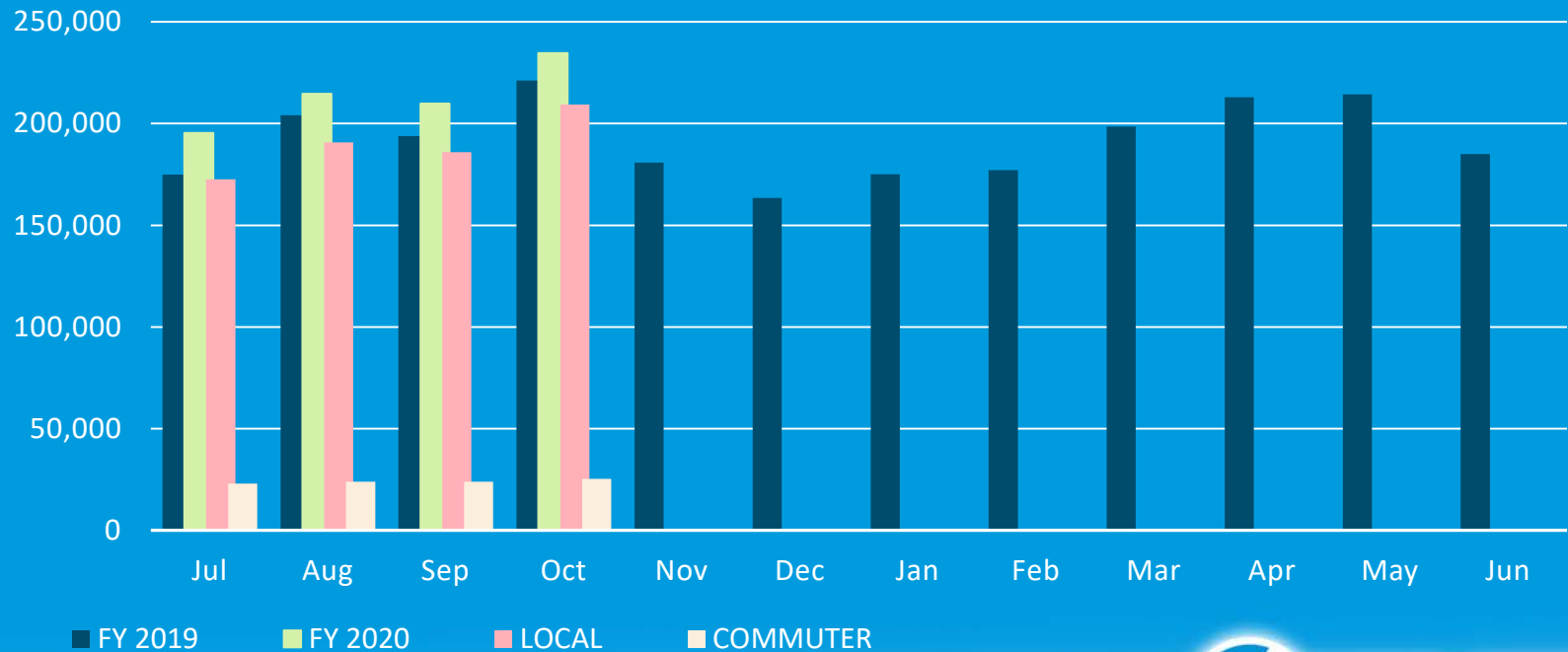
Presentation to the Board of Directors

November 26, 2019

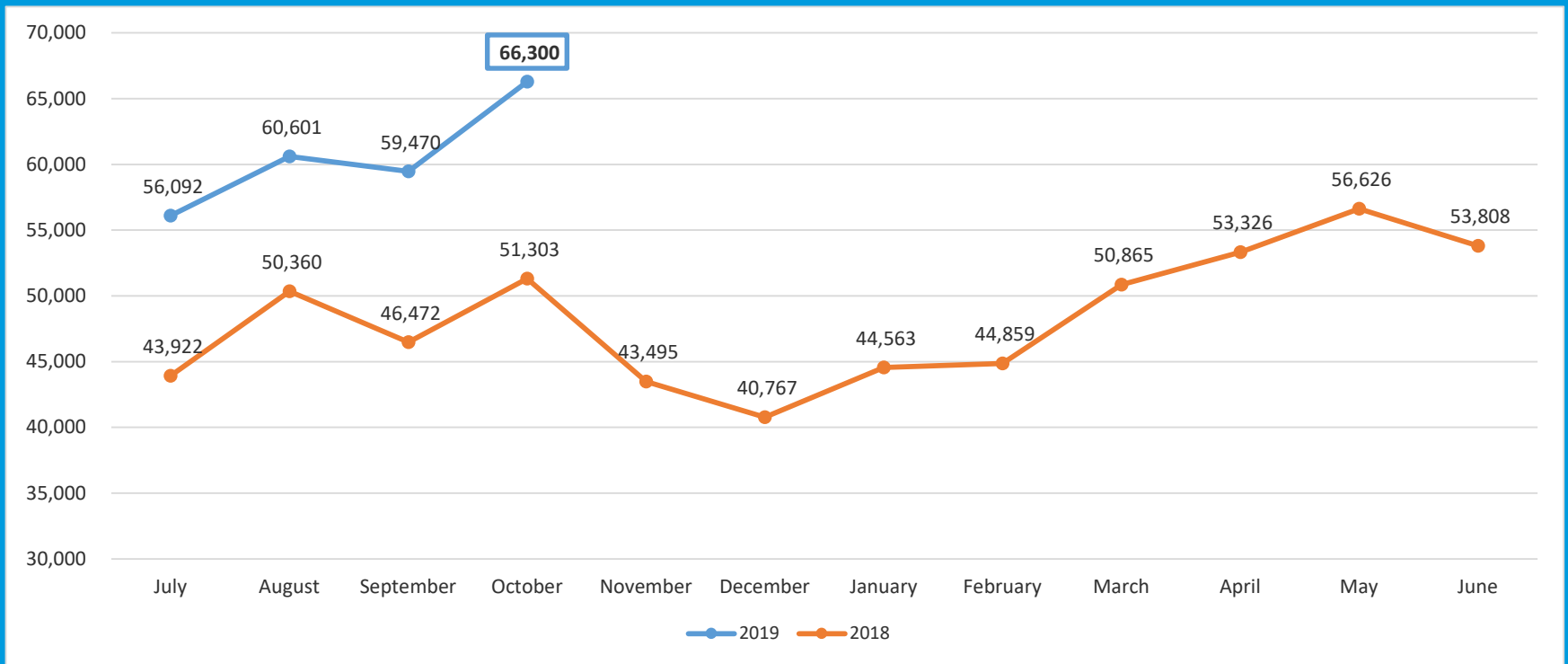


MONTHLY BOARDING ACTIVITY

	October FY 2020	October FY 2019
System	234,623	221,144
Local	209,326	193,678
Commuter	25,297	27,466



MONTHLY RIDERSHIP ROUTE 1

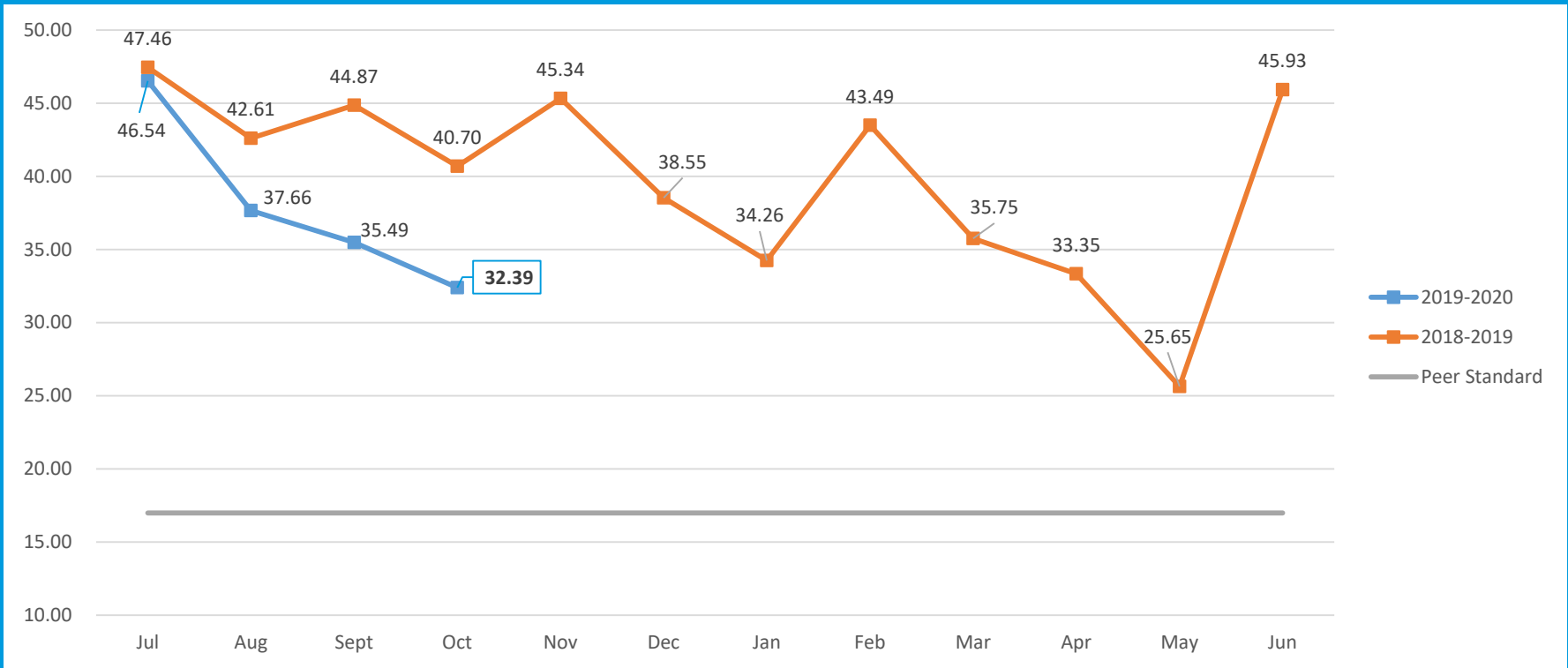




COMPLAINTS/100,000 BOARDINGS

OCTOBER - SYSTEM WIDE AVERAGE: 32.39

PEER STANDARD: 17.00



KEY PERFORMANCE INDICATORS

	October FY 2020	September FY 2020	October FY 2019	Peer Averages
Boarding Activity	234,623	214,171	221,144	171,924
Complaints / 100,000 Boardings	32.39	35.49	40.70	17.00

Thank you!

Questions?



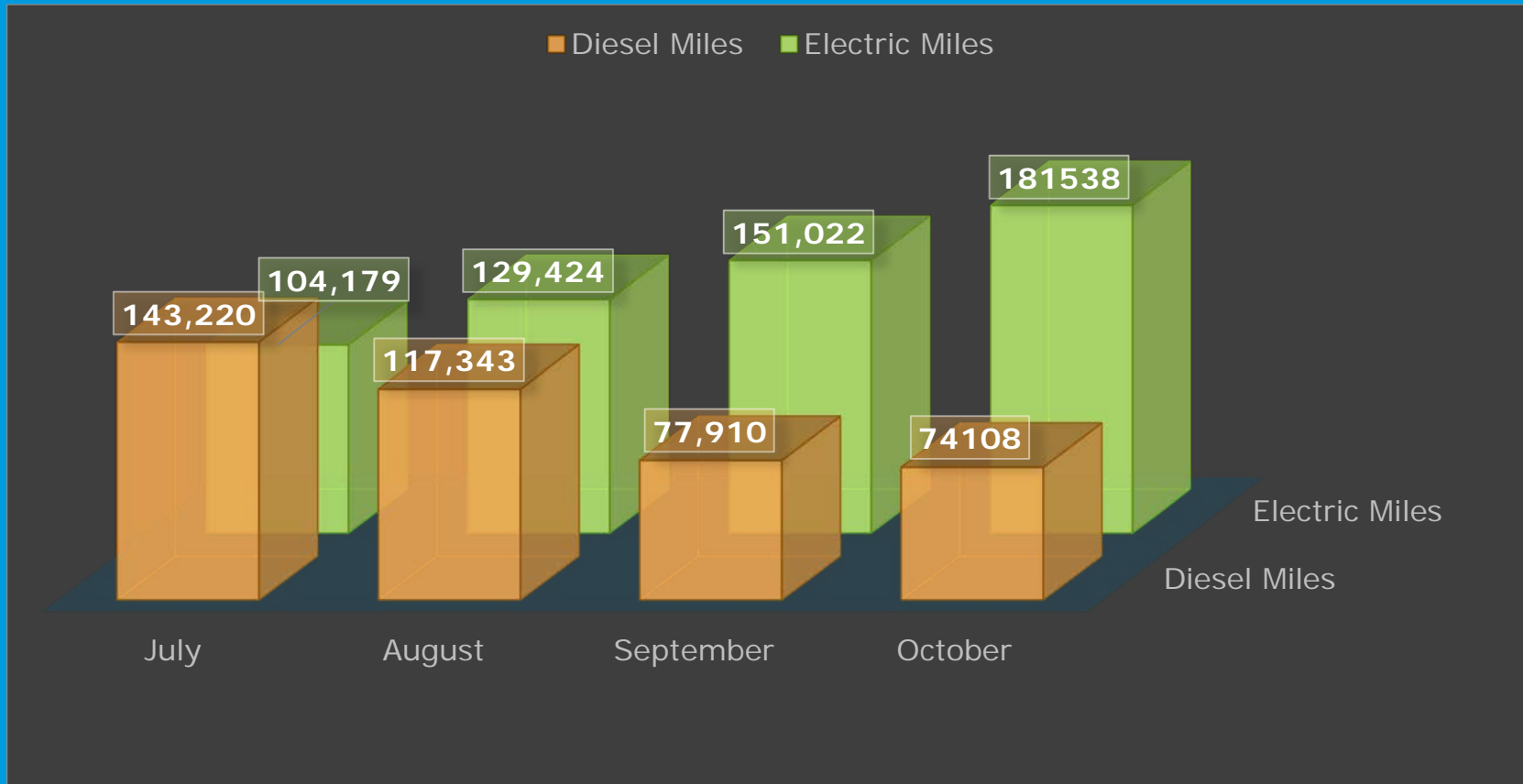
October 2019 Maintenance Key Performance Indicators

Presentation to the Board of Directors

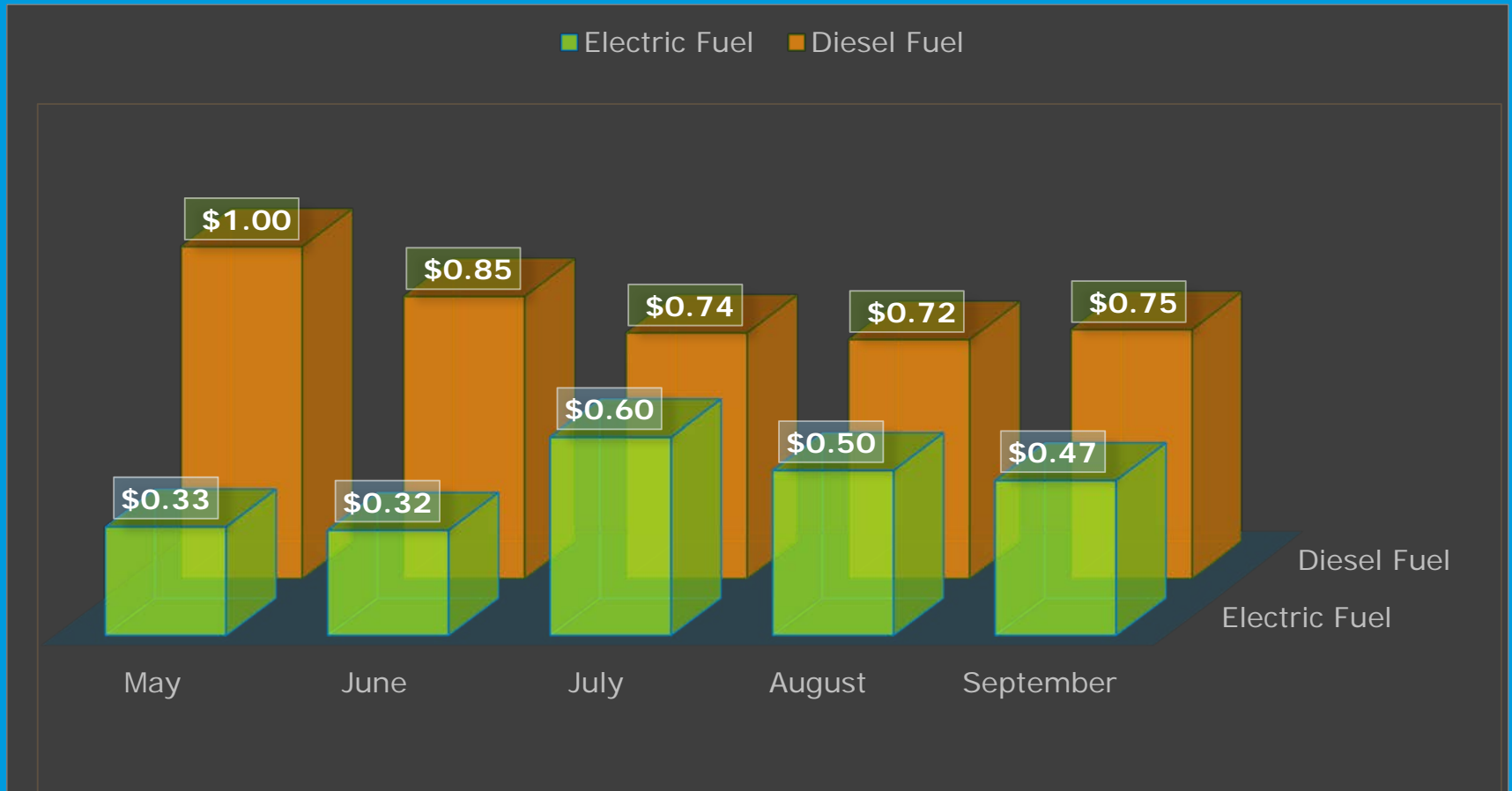
November 26, 2019



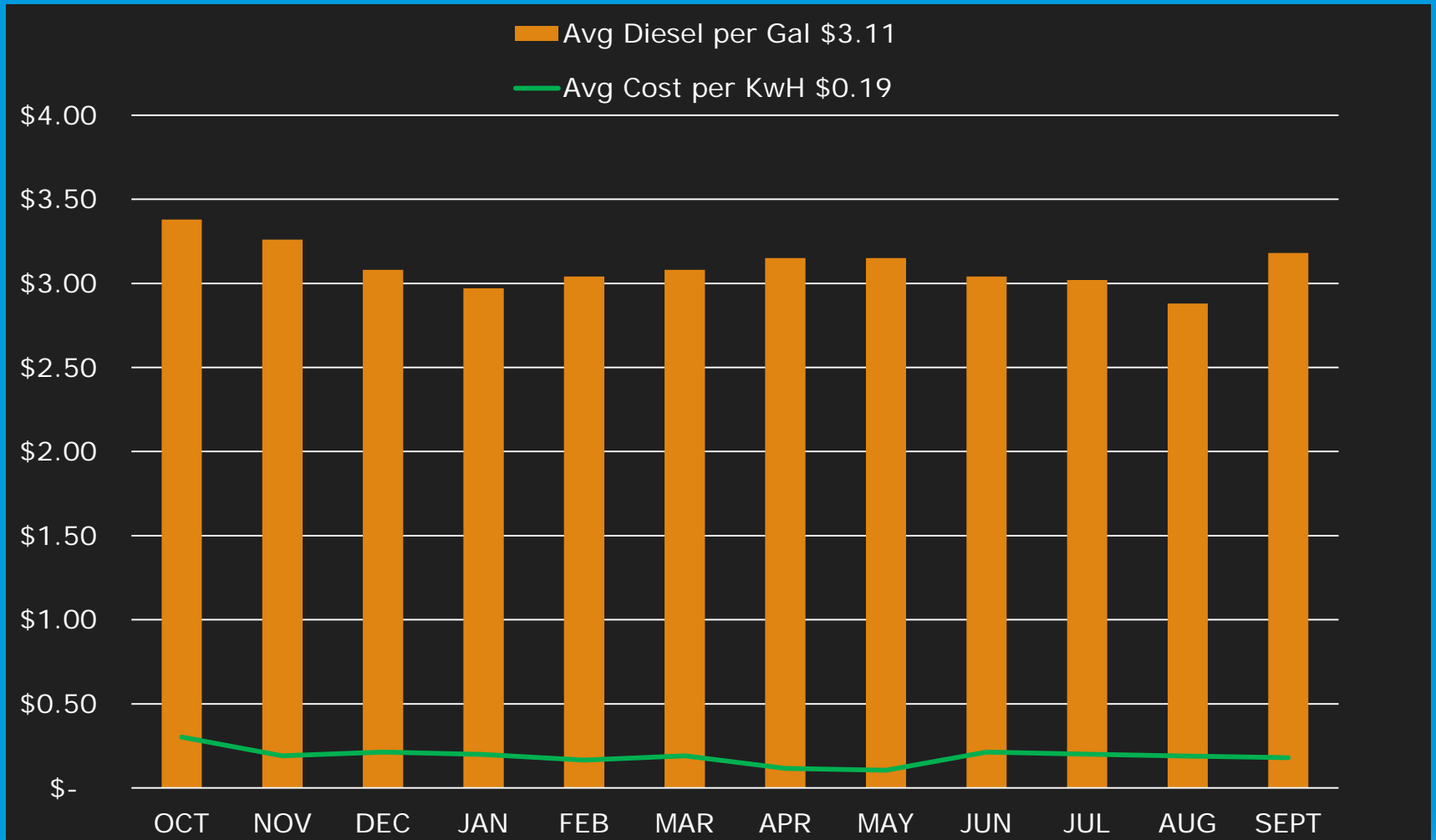
TRANSIT MILES: DIESEL vs ELECTRIC



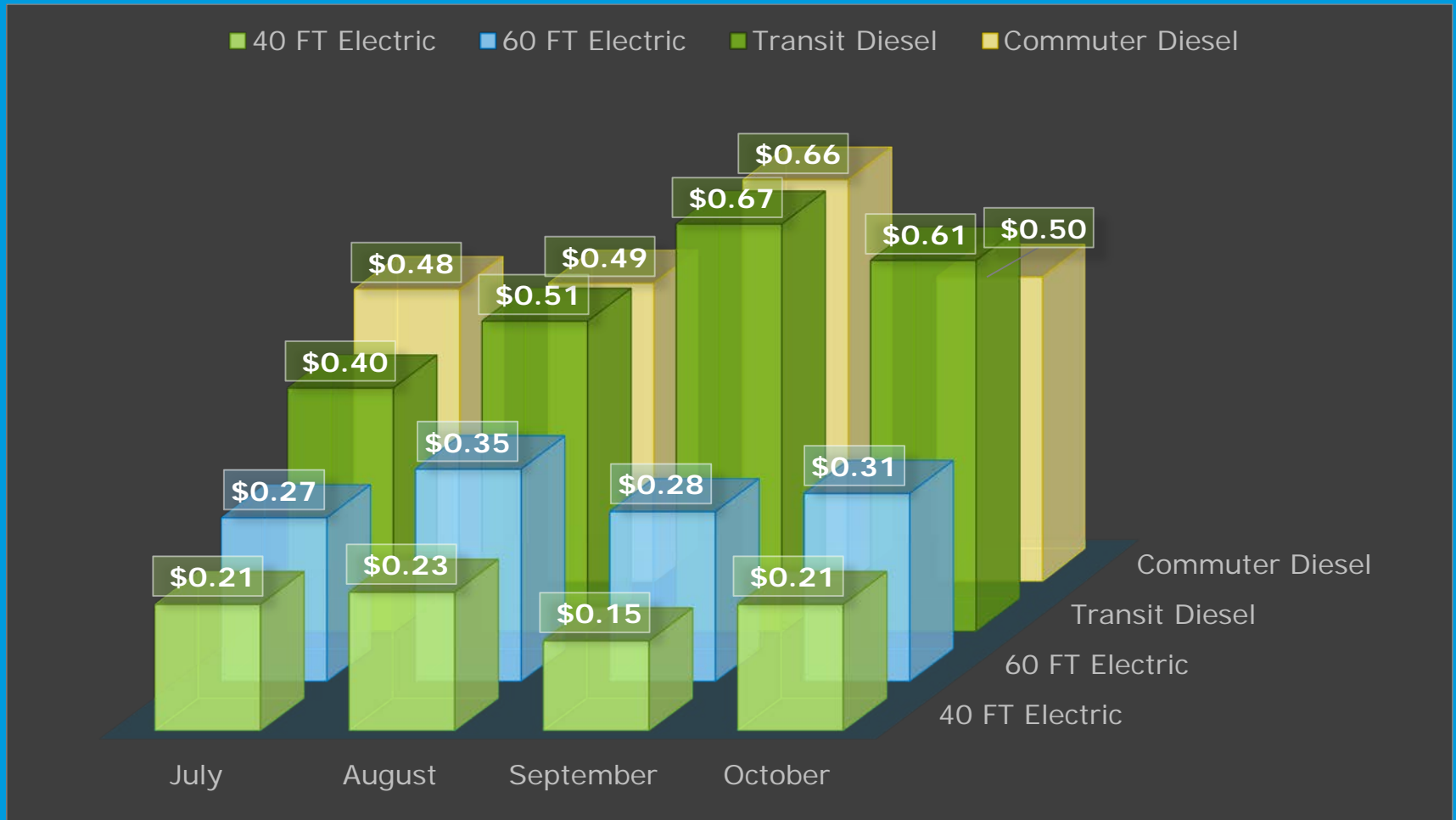
PROPULSION FUEL COST PER MILE



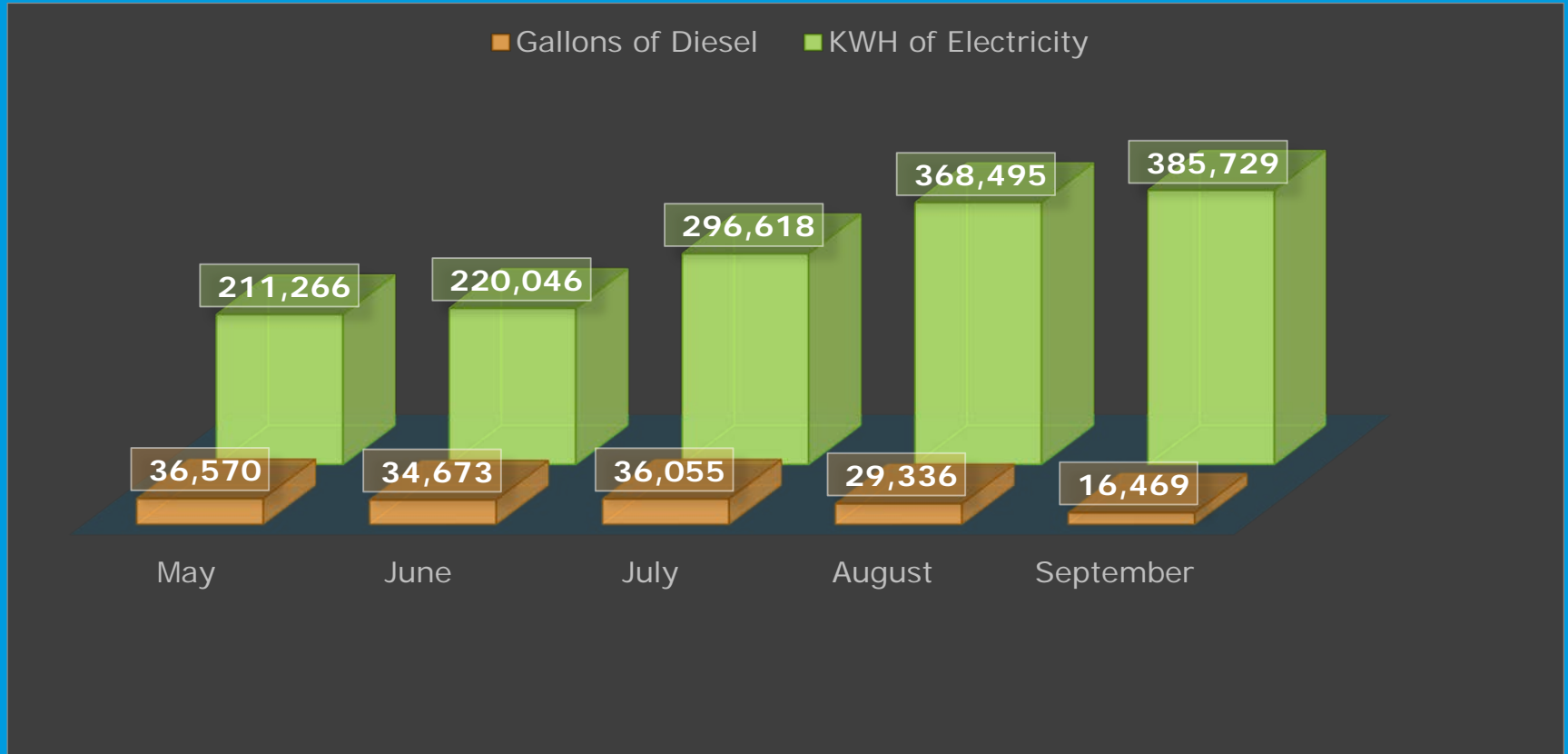
FUEL/ENERGY COST – PRIOR 12 MONTHS



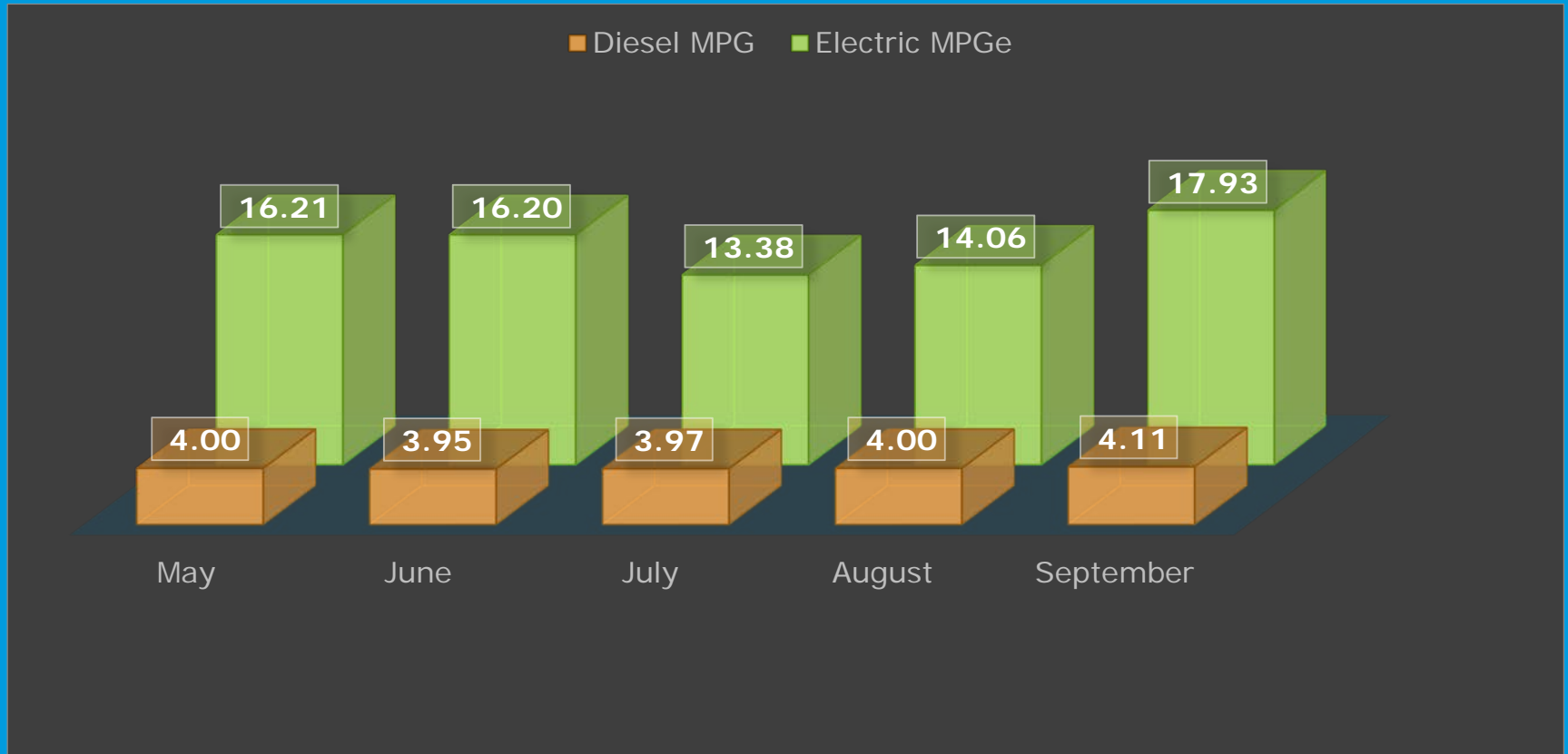
MAINTENANCE COST PER MILE BY FLEET



ELECTRIC CONSUMPTION & DIESEL FUEL REDUCTION (Local Only)

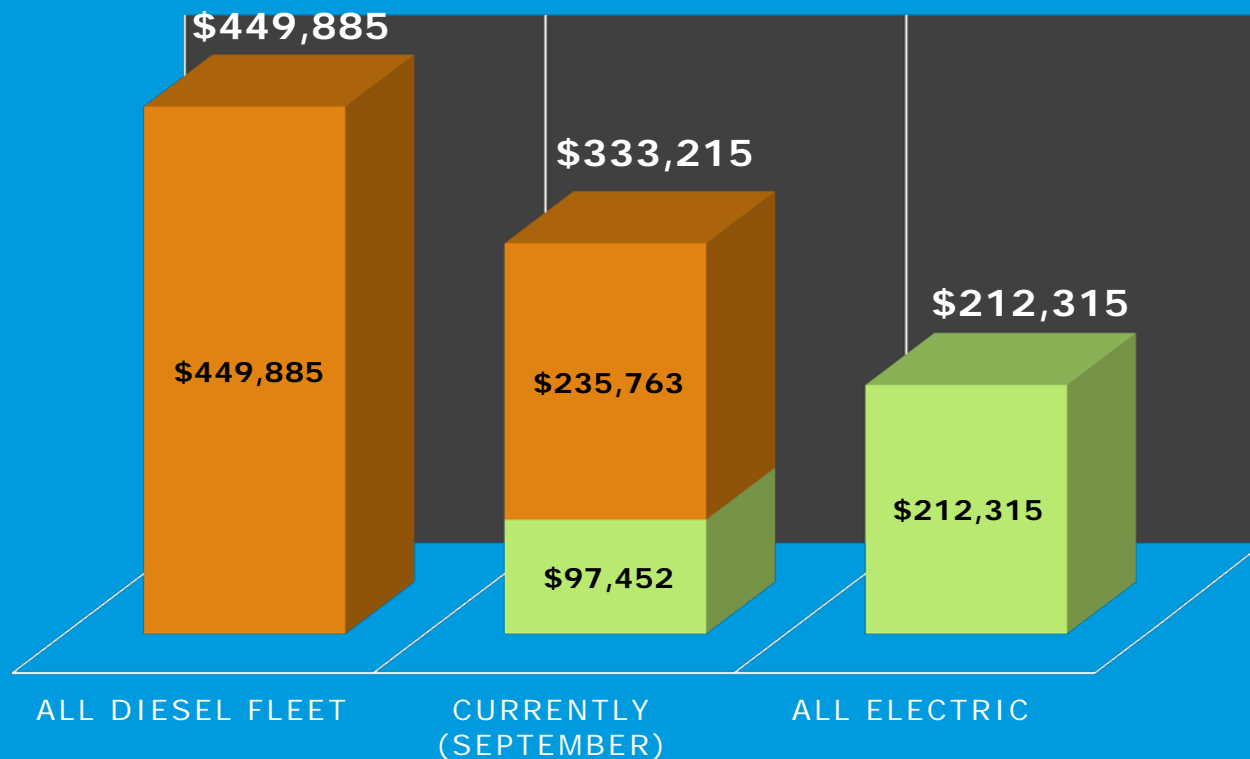


DIESEL VS. ELECTRIC MPG EQUIVALENT (Local Only)



TOTAL FUEL & MAINTENANCE COST ASSUMPTIONS AT FULL BUILDOUT

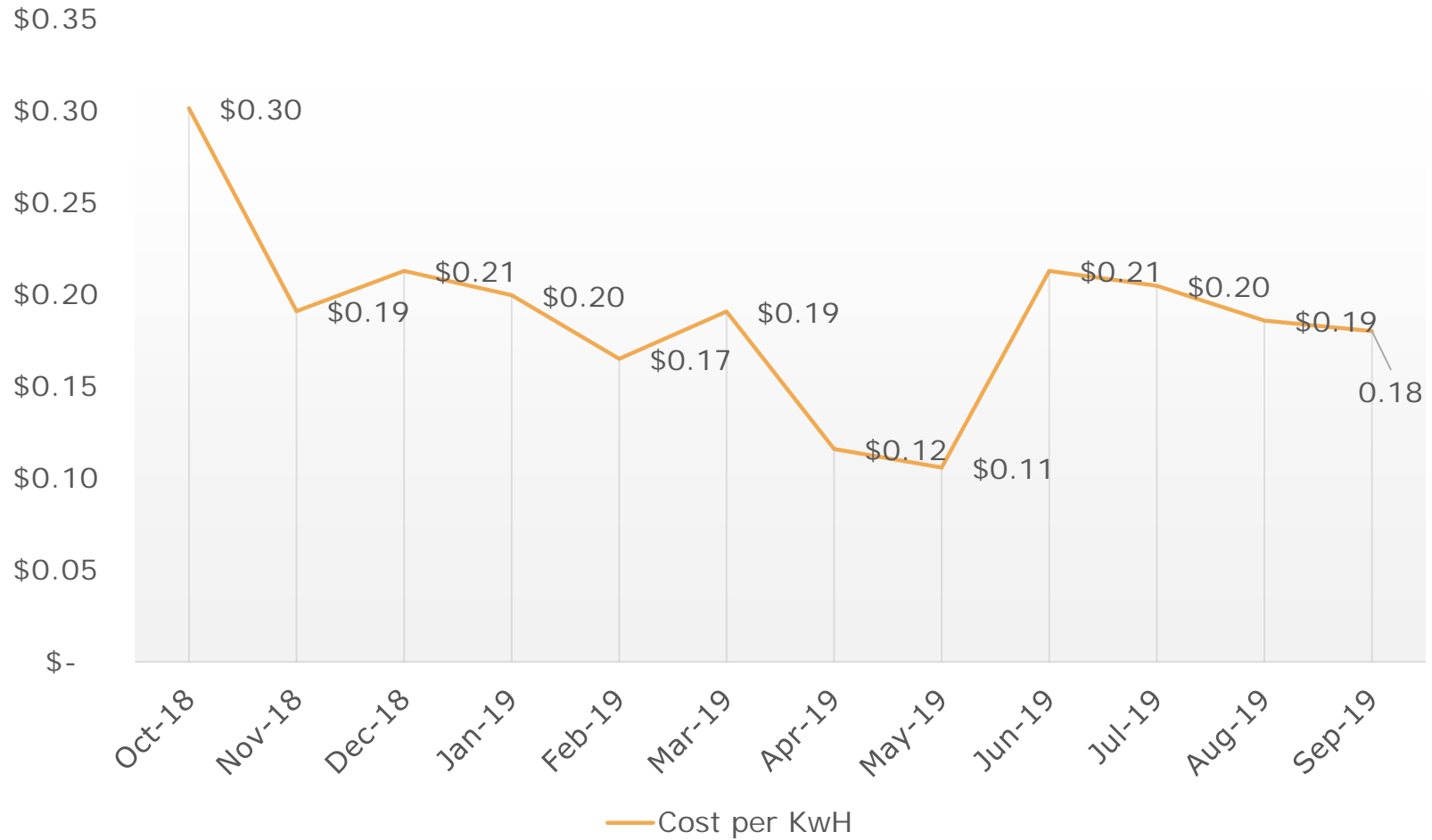
■ Electric ■ Diesel



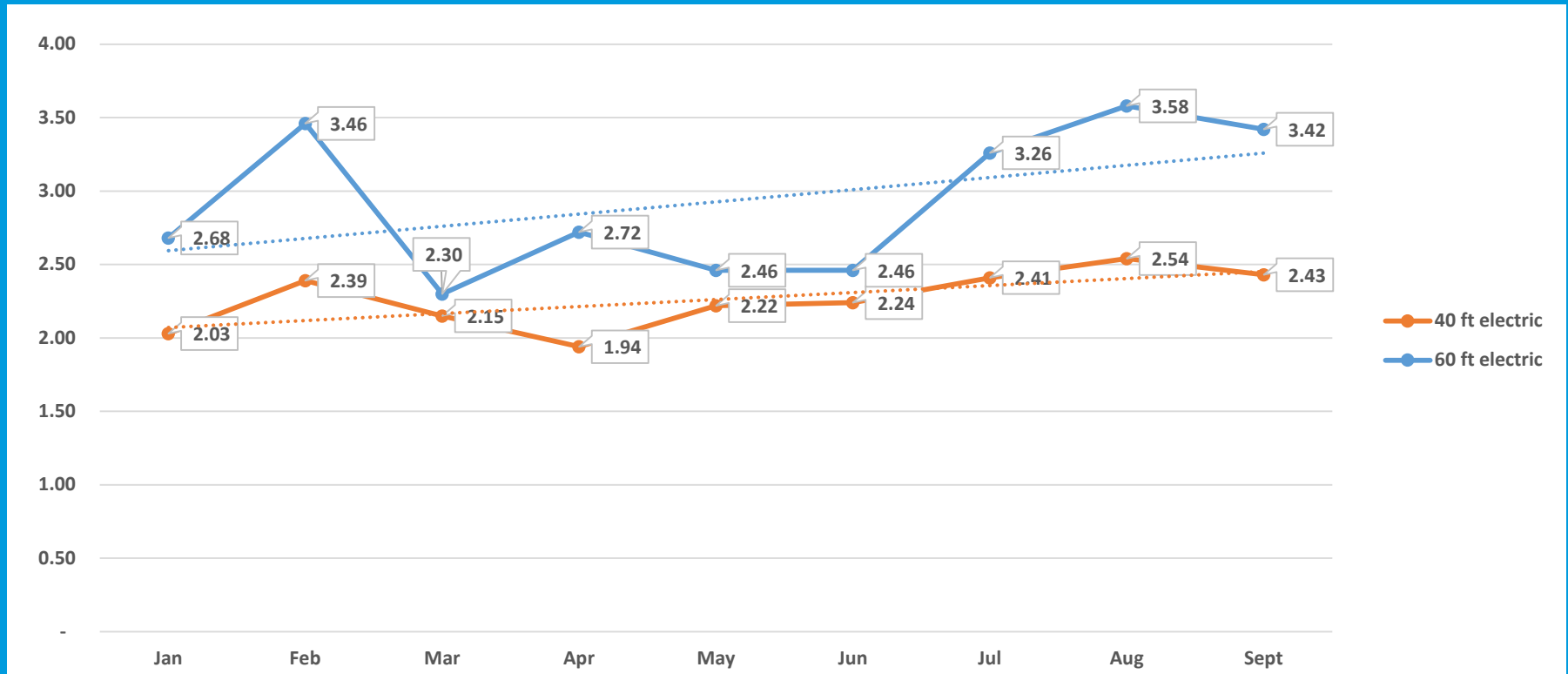
Total monthly savings for September \$116,670

Projected monthly savings for September \$237,570

Cost per Kwh



AVERAGE FUEL CONSUMPTION PER MILE (KWPM)

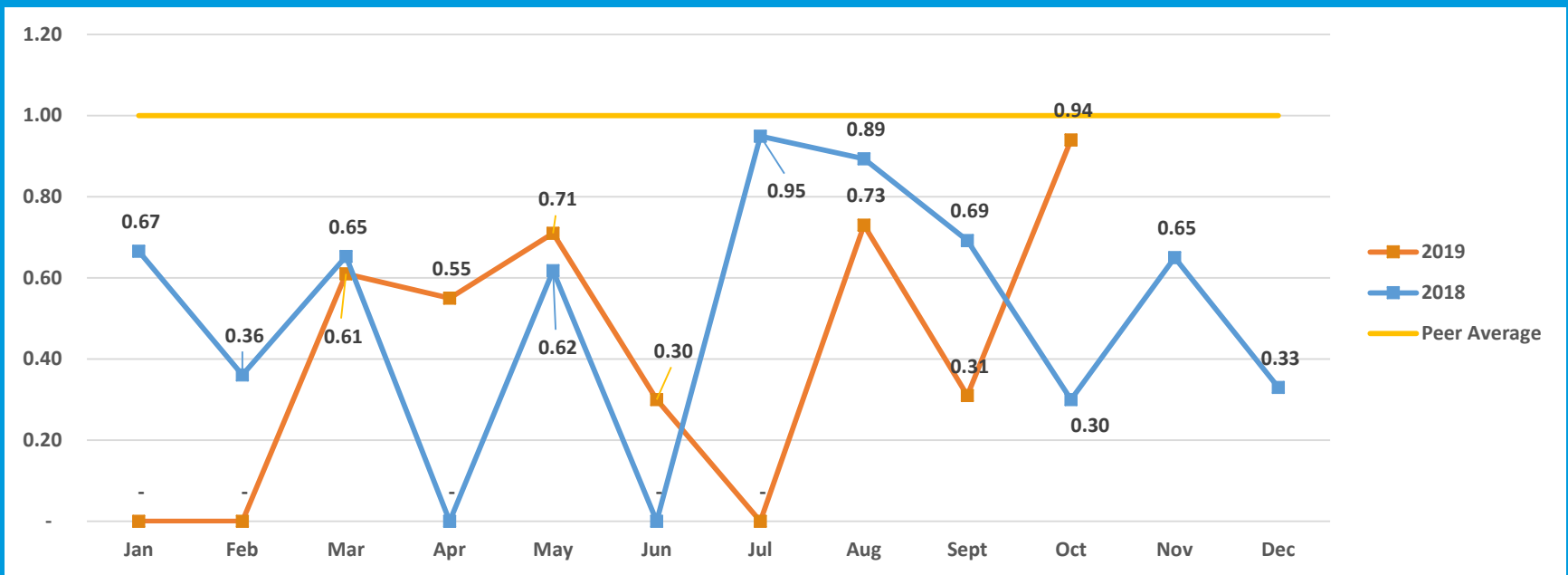


PREVENTABLE ACCIDENTS/100,000 MILES

Peer Standard: 1.00 Target 1.00

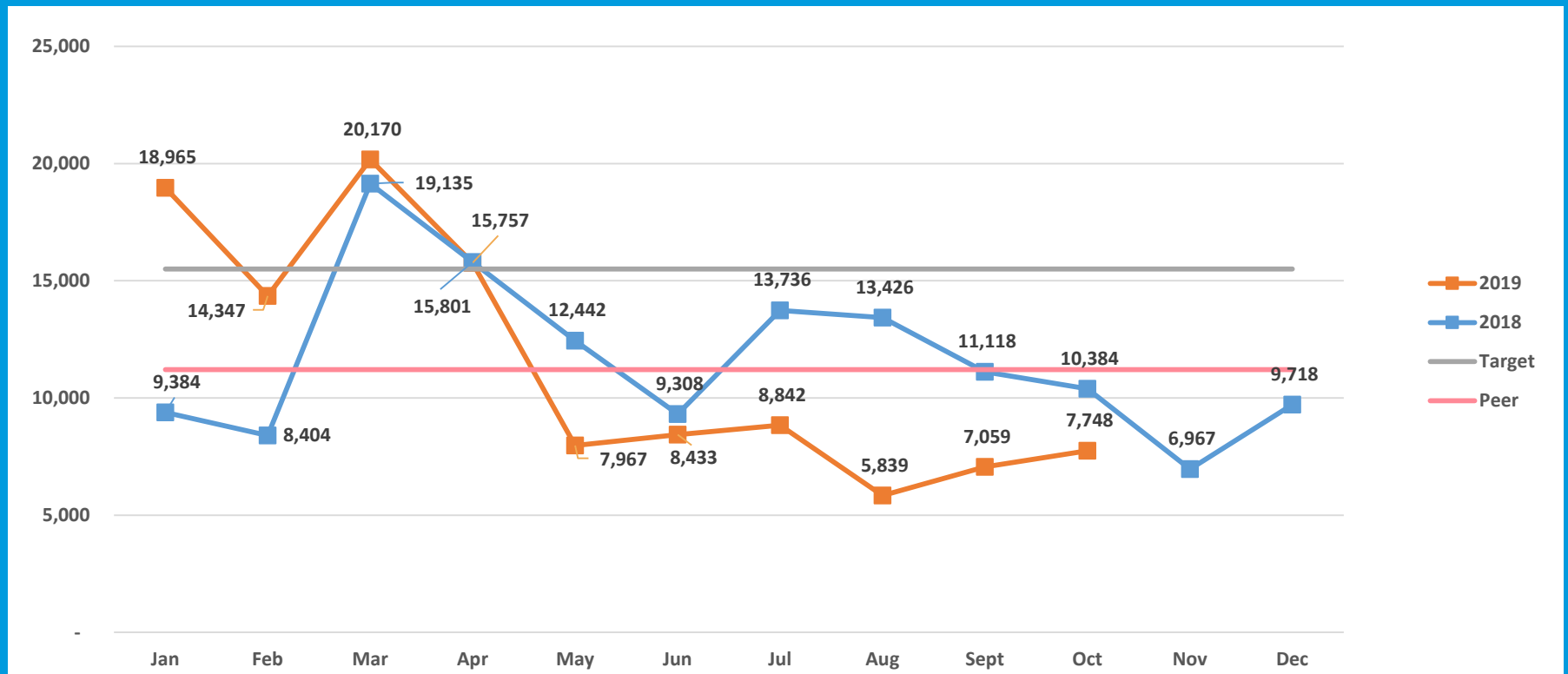
OCTOBER: Total: 7

Total Preventable: 3



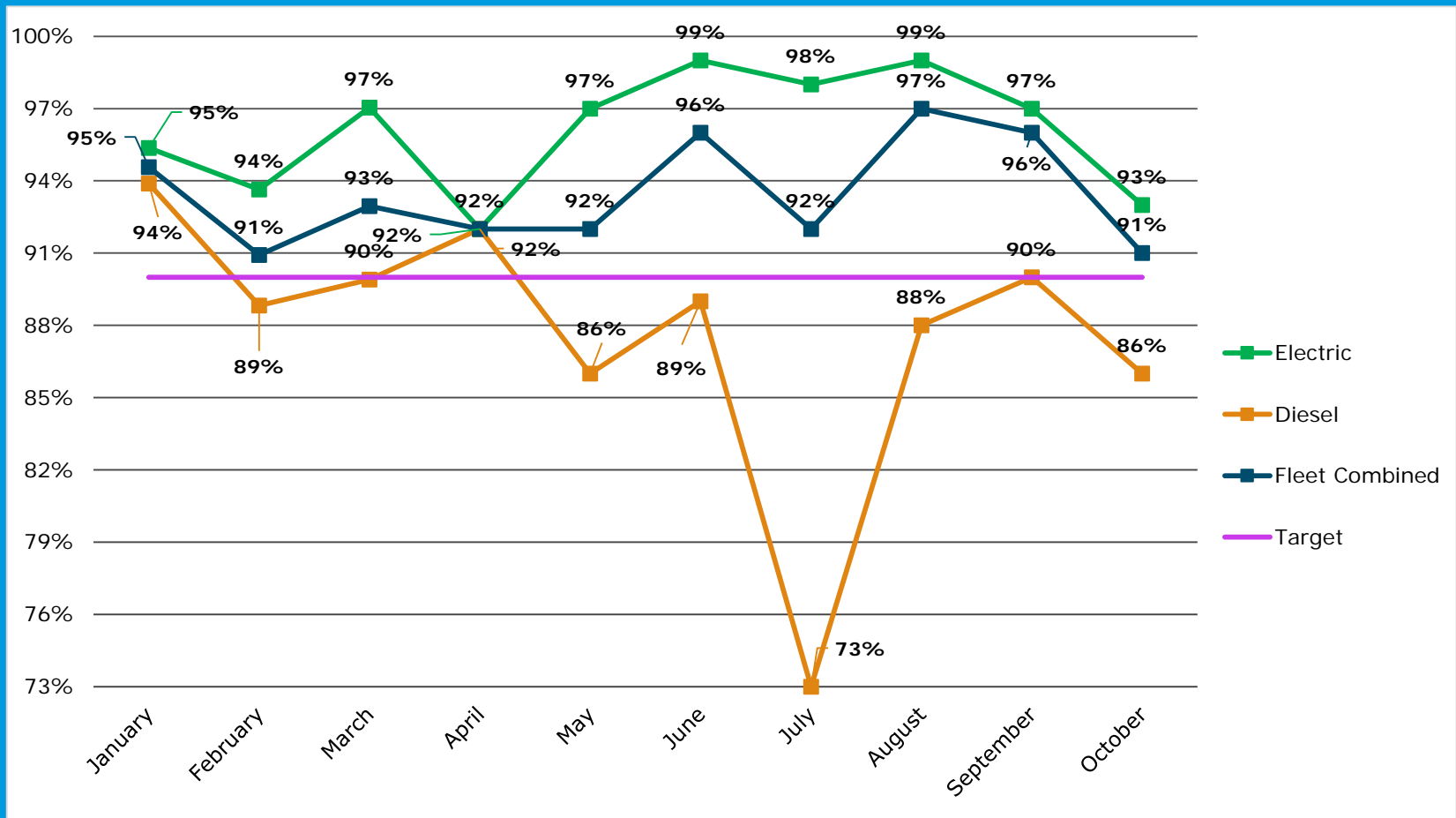
AVERAGE MILES BETWEEN SERVICE INTERRUPTIONS

Peer Average: 11,206 / Target: 15,500



AVAILABILITY

Peer Average: 77% / Target 90%



SUMMARY

- AVTA currently operates 52 electric transit buses.
- Although the weather is cooling down, the operators still show performance improvement.
- Bus availability was down due to warranty defects with electric buses.
- Palmdale South Valley charging station construction is set to begin before Thanksgiving.
- Contractor for Lancaster Metrolink charging station pending Board approval.



Discussion/Questions?





Regular Meeting of the Board of Directors

Tuesday, October 22, 2019

10:00 a.m.

Antelope Valley Transit Authority Community Room
42210 6th Street West, Lancaster, California
www.avta.com

UNOFFICIAL MINUTES

CALL TO ORDER

Chairman Crist called the meeting to order at 10:02 a.m.

PLEDGE OF ALLEGIANCE

Director Hofbauer led the Pledge of Allegiance.

ROLL CALL:

Present

Chairman Marvin Crist
Director Steve Hofbauer
Director Angela Underwood–Jacobs
Director Michelle Flanagan
Alternate Director Mac Laren (Director Richard Loa absent)

Absent

Vice Chair Dianne Knippel

APPROVAL OF AGENDA

Motion: Approve the agenda as comprised.

Moved by Director Flanagan, seconded by Alternate Director Mac Laren

Vote: Motion carried (5-0-0-1)

Ayes: Chairman Crist, Directors Hofbauer, Underwood-Jacobs, Flanagan,
Alternate Director Mac Laren

Nay: None

Abstain: None

Absent: Vice Chair Knippel

PUBLIC BUSINESS – AGENDIZED AND NON-AGENDIZED ITEMS:

Michael Rives – requested the installation of a bus bench at the stop on Valley Central Way. He also spoke about the local government sales tax waiver for transit agencies.

Executive Director/CEO Macy Neshati confirmed staff is working on getting benches installed at various bus stops.

Fran Sereseres – thanked Operations Supervisor Aitor Urionabarrenechea for assisting her during the 2019 Senior Expo.

Charlotte Baxter – requested the installation of bus benches in front of the Walmart on Destination O-8 and 10th St. W. and on both sides of Avenue K-8 and 20th St. W. She noted that Sgt. Steve Owen Memorial Park (OMP) needs cleaned and people are smoking in non-smoking areas. Chairman Crist replied the Sheriff's Department is working on the smoking issue and explained the process for installing bus stop amenities.

Paul Andrews – requested the frequency on the Route 1 to be increased between 3:00 p.m. and 7:00 p.m. and plug-in chargers be installed at Palmdale Transportation Center and OMP.

Lillian Moreno – submitted signed petitions supporting the installation of a stop at 23rd St. W. and Ave I, and changing the frequencies on Routes 4, 11, and 12 during peak hours. She also requested changing peak hours from 8:00 a.m.-3:00 p.m. to 9:00 a.m.-5:00 p.m.

SPECIAL REPORTS, PRESENTATIONS, AND REQUESTS FOR DIRECTION (SRP):

SRP 1 RECOGNITION OF AVTA EMPLOYEE OF THE FIRST QUARTER (JULY 1 – SEPTEMBER 30, 2019) FOR FISCAL YEAR 2019/2020 (FY 2020)

Director of Finance and Administration Judy Vaccaro-Fry presented the Employee of the First Quarter award to Senior Accountant Vianney McLaughlin.

SRP 2 RECOGNITION OF ZACH KRAUTER

Executive Director/CEO Macy Neshati presented an award to IntelliRide Manager Zach Krauter for his stellar performance.

SRP 3 RECOGNITION OF TRANSDEV OPERATOR AND EMPLOYEE OF THE MONTH FOR SEPTEMBER 2019

Transdev Operations Manager Mike Sorensen introduced Transdev's new General Manager Rene Alvarez. Mr. Sorensen presented a plaque to the Operator of the Month Shirley Howard and announced David Mattke was the Employee of the Month; however, Mr. Mattke was unable to attend the meeting.

SRP 4 LEGISLATIVE REPORT FOR OCTOBER

Ms. Vaccaro-Fry presented information regarding the FY 2020 Continuing Appropriations resolution, Assembly Bill 784, which exempts zero-emission transit buses from the state portion of the sales tax through January 1, 2024 and Assembly Bill 1351, which would require the California State Transportation Agency to conduct an assessment to establish a uniform standard of paratransit eligibility criteria.

SRP 5 OPERATIONS KEY PERFORMANCE INDICATORS (KPI) REPORT

Senior Director of Operations and Planning Martin Tompkins presented the report, which highlighted the increased ridership on the Route 1. The Board discussed the peer standard target for complaints. Mr. Tompkins will compare AVTA's complaints with peer transit agencies.

SRP 6 MAINTENANCE KPI REPORT

Director of Operations and Maintenance Mark Perry presented the report. The Board discussed the cost per kilowatt-hour.

CONSENT CALENDAR (CC):

- CC 1 BOARD OF DIRECTORS MEETING MINUTES OF SEPTEMBER 24, 2019**
Approve the Board of Directors Regular Meeting Minutes of September 24, 2019.
- CC 2 FINANCIAL REPORT FOR SEPTEMBER 2019**
Receive and file the financial report for September 2019.
- CC 3 FY 2020 FIRST QUARTER LOS ANGELES COUNTY SHERIFF'S DEPARTMENT (LASD) REPORT (JULY 1 – SEPTEMBER 30, 2019)**
Receive and file the FY 2020 First Quarter LASD report for the period covering July 1 through September 30, 2019.
- CC 4 BOARD OF DIRECTORS MEETING CALENDAR FOR 2020**
Approve the Board of Directors meeting calendar for 2020.

CC 5 SECURITY AND EMERGENCY PREPAREDNESS PLAN (SEPP)

Adopt Resolution No. 2019-008, approving the Revised SEPP, and authorize the Executive Director/CEO to enter into a Memorandum of Understanding with local, county, state, and federal law enforcement for security services as needed.

Motion: Approve Consent Calendar Items 1 through 5.

Moved by Director Hofbauer, seconded by Director Flanagan

Vote: Motion carried (5-0-0-1)

Ayes: Chairman Crist, Directors Hofbauer, Underwood-Jacobs, Flanagan, Alternate Director Mac Laren

Nays: None

Abstain: None

Absent: Vice Chair Knippel

NEW BUSINESS (NB):

NB 1 AMENDMENT NO. 2 TO CONTRACT #2015-03 WITH TRANSDEV SERVICES, INC. FOR DIAL-A-RIDE PARATRANSIT SERVICES

Procurement and Contracts Officer Lyle Block presented the staff report. The Board discussed the \$5,000 per month value added fee.

Motion: Authorize the Executive Director/CEO to execute Amendment No. 2 to Contract #2015-03 with Transdev Services, Inc. for an additional amount of \$332,378 and a three-month time extension, which includes a value added fee in the amount of \$5,000 per month for short-term agreement ending existing services on March 31, 2020.

Moved by Director Hofbauer, seconded by Director Flanagan

Vote: Motion carried (5-0-0-1)

Ayes: Chairman Crist, Directors Hofbauer, Underwood-Jacobs, Flanagan, Alternate Director Mac Laren

Nays: None

Abstain: None

Absent: Vice Chair Knippel

NB 2 CONTRACT #2020-05 TO TAFT ELECTRIC COMPANY FOR ELECTRIC BUS CHARGING AT 40TH ST. E. AND PALMDALE BLVD.

Mr. Block presented the staff report.

Motion: Authorize the Executive Director/CEO to execute Contract #2020-05 with Taft Electric Company, Ventura, CA for electric bus charging at 40th St. E. and Palmdale Blvd in the amount of \$1,763,271, plus applicable permit fees and sales tax.

Moved by Director Flanagan, seconded by Director Hofbauer

Alternate Director Mac Laren stated she needed to abstain from the vote due to her employment with the International Brotherhood of Electrical Workers labor union and the National Electrical Contractors Association.

Vote: Motion carried (4-0-1-1)
Ayes: Chairman Crist, Directors Hofbauer, Underwood-Jacobs, Flanagan
Nays: None
Abstain: Alternate Director Mac Laren
Absent: Vice Chair Knippel

REPORTS AND ANNOUNCEMENTS (RA):

RA 1 Report by the Executive Director/CEO Macy Neshati

- Stated the first 45-foot electric commuter coach has arrived and invited the public to tour the bus.
- Stated ridership on the Route 1 has increased for the first time in three years. It grew from 585,000 passengers to 638,000 during the first quarter of FY 2020. He thanked staff for all their hard work to make this happen.

MISCELLANEOUS BUSINESS – NON-AGENDA BOARD OF DIRECTORS ITEMS:

On behalf of the Board, Chairman Crist thanked staff for accomplishing the Authority's set goals.

Director Hofbauer noted that October is Breast Cancer Awareness Month.

ADJOURNMENT:

Chairman Crist adjourned the meeting at 11:00 a.m. in memory of Kevin Henisey and Wayne Hoffmeyer.

The next Regular Meeting of the Board of Directors will be held on November 26, 2019 at 10:00 a.m. in the Antelope Valley Transit Authority Community Room, 42210 6th Street West, Lancaster, CA.

PASSED, APPROVED, and ADOPTED this 26th day of NOVEMBER, 2019

Marvin Crist, Chairman of the Board

ATTEST:

Karen S. Darr, Clerk of the Board

Audio recordings of the Board of Directors Meetings are maintained in accordance with state law and AVTA's Records Retention Policy. Please contact the Clerk of the Board at (661) 729-2206 to arrange to review a recording.



DATE: November 26, 2019
TO: BOARD OF DIRECTORS
SUBJECT: Financial Report for October 2019

RECOMMENDATION

That the Board of Directors receive and file the financial report for October 2019.

FISCAL IMPACT

	OCTOBER
PAYROLL	418,793
CASH DISBURSEMENTS	9,923,349

BACKGROUND

To comply with the provisions required by Sections 37202, 37208 and 6505.5 of the Government Code, the Director of Finance and Administration in conjunction with the Controller, provides a monthly payroll total and cash disbursements. On a quarterly basis, a treasurer's report, including capital reserve information (Attachment A), will be included as part of the financial report. The Executive Director/CEO and Treasurer certify the availability of funds.

I, Macy Neshati, Executive Director/CEO of AVTA, declare that the above information is accurate.

Prepared by:

Submitted by:

Judy Vaccaro-Fry
 Director of Finance and Administration

Macy Neshati
 Executive Director/CEO

Attachment: A – Treasurer's Report

ANTELOPE VALLEY TRANSIT AUTHORITY
Treasurer's Report
For the quarter ended 9/30/19

Investment Type	Description	Beginning Balance 6/30/19	Deposits	Disbursements	Interest	Ending Balance 9/30/19
Cash and Investments Under the Direction of the Treasurer						
	Local Agency Investment Fund (LAIF) - Capital Reserve	5,517,936	115,000		34,368	5,667,304
	Proposition 1B Restricted Fund*	1,027,671			134	1,027,805
	Union Bank - LCTOP	224,301	589,393		93	813,787
	Total Capital Reserves and Restricted Funds	6,769,909	704,393	-	34,595	7,508,896
	Union Bank - Savings Op Reserves	4,000,059			104	4,000,163
	Union Bank - Money Market Fund	1,866,033			243	1,866,276
	Total Operating Reserve	5,866,091	-	-	348	5,866,439
	General Account	14,037,515	8,677,783	(11,172,728)		11,542,570
	Petty Cash Balance	750				750
	Operating Accounts Total	14,038,265	8,677,783	(11,172,728)	-	11,543,320
	TOTAL CASH AND INVESTMENTS	26,674,265	9,382,176	(11,172,728)	34,943	24,918,655

* Deferred revenue, recorded as liability until associated expense incurred.

I hereby certify that the investment portfolio of AVTA complies with its investment policy and the California Government Code Sections pertaining to the investment of local agency funds, Union Bank and Wells Fargo Bank. Pending any future actions by the AVTA Board or any and unforeseen occurrences, AVTA has cash flow adequate to meet its expenditure requirements for the next three months.

Prepared by:

Submitted by:

KJ Alcuran
Controller

Judy Vaccaro-Fry
Director of Finance & Administration



DATE: November 26, 2019
TO: BOARD OF DIRECTORS
SUBJECT: Grant Status Report

RECOMMENDATION

That the Board of Directors receive and file the Grant Status Report (Attachment A).

FISCAL IMPACT

Grants approved after the annual budget adoption may require reallocation of funds, which will be addressed during the mid-year budget adjustments.

BACKGROUND

The attached Grant Status Report reflects current status of all grant applications submitted on behalf of the AVTA through November 15, 2019.

No grants were submitted during the last quarter. On October 16, 2019 the Authority was notified of a preliminary funding award recommendation for Enhanced Mobility of Seniors and Individuals with Disabilities to implement a microtransit service. This is an FTA grant funded program administered through LA County Metropolitan Transportation Authority with Board adoption scheduled for January 23, 2020. Additionally, the Authority was notified earlier this month of award through FTA's BUILD grant program in the amount of \$8,683,480. This grant will fund a total of 20 zero-emission battery electric expansion vehicles to enable new and expanded service. AVTA continues to seek and pursue all viable grant opportunities.

Prepared by:

Submitted by:

Judy Vaccaro-Fry
Director of Finance and Administration

Macy Neshati
Executive Director/CEO

Attachment: A – Grant Status Report

GRANT STATUS REPORT

Discretionary Opportunities Submitted

Grant Program	Project	Amount Applied For	Date Submitted	Status	Amount Awarded	Next Round of Funding
Call for Projects - LACMTA	Bus Replacement + Chargers	\$2,475,103	April 10, 2019	Awarded - Pending funds transfer from FHWA to FTA	\$2,475,103	TBD
FY19 Low or No Emission Vehicle Program - FTA	10 Transit Buses + 12 Circulator Buses	\$10,760,699	May 14, 2019	NO FUNDS AWARDED TO AVTA	\$0	TBD
FY19 Bus & Bus Facilities - FTA	10 Transit Buses + 10 Circulator Buses	\$9,226,192	June 20, 2019	NO FUNDS AWARDED TO AVTA	\$0	TBD
FY19 BUILD - FTA	8 Transit Buses + 12 Circulator Buses	\$8,683,480	July 14, 2019	AWARDED!	\$8,683,480	TBD
Low Carbon Transit Operations Program (LCTOP) – Cap & Trade	Microtransit Demonstration – Los Angeles County	\$347,194	March 2019	Awarded June 28, 2019	\$347,194	
5310 – Enhanced Mobility for Seniors & Individuals with Disabilities - MTA	Microtransit – DAR on Demand for Seniors & Individuals with Disabilities	\$83,507	July 31, 2019	Preliminary award recommendation!	\$83,507	TBD
LoNo – 2018 Grant Award	1 transit bus	\$705,347	August 3, 2019	<i>Awarded – application submitted to FTA; Pending execution.</i>	\$705,347	TBD
	TOTAL DISCRETIONARY OPPORTUNITIES APPLIED FOR:	\$32,281,522		TOTAL DISCRETIONARY GRANT AWARDS:	\$12,294,631	
	TOTAL DISCRETIONARY OPPORTUNITIES NOT AWARDED	\$19,986,891				
	TOTAL DISCRETIONARY OPPORTUNITIES PENDING:	\$0				

Annual Formula Allocations Submitted

Grant Program	Project	Amount Pending	Date Submitted	Status	Amount Awarded
Low Carbon Transit Operations Program (LCTOP) – Cap & Trade	1 Expansion Bus	\$242,199	March 2019	Awarded June 28, 2019	\$242,199
Section 5307	Capital + Operating, Preventative Maintenance	\$3,787,643	July 11, 2019	Awarded July 30, 2019	\$3,787,643
Section 5307	Bus Replacement	\$5,174,108	July 19, 2019	Awarded August 12, 2019	\$5,174,108
Section 5337	Bus Replacement	\$1,669,534	August 3, 2019	<i>Pending execution.</i>	\$0
Section 5337	HIMB Commuter: Preventative Maintenance	\$3,156,000	July 5, 2019	Awarded July 24, 2019	\$3,156,000
Section 5339	Bus Replacement	\$2,441,137	July 18, 2019	Awarded August 12, 2019	\$2,441,137
	TOTAL ANNUAL FORMULA ALLOCATIONS PENDING:	\$1,669,534		TOTAL GRANT AWARDS:	\$14,801,087



DATE: November 26, 2019

TO: BOARD OF DIRECTORS

SUBJECT: Draft Audited Financial Statements and Single Audit Report of Federal Awards for the Year Ended June 30, 2019

RECOMMENDATION

That the Board of Directors approve the Draft Audited Financial Statements (Attachment A) and Single Audit Report of Federal Awards (Attachment B) for the Year Ended June 30, 2019.

FISCAL IMPACT

None.

BACKGROUND

Representatives from Brown Armstrong Accountancy Corporation, the Authority's external audit firm, will be in attendance at the November 26, 2018 Board meeting to present the audit results and respond to any questions or concerns.

Based on the draft results, it is anticipated there will be no exceptions to the audited financial statements, and no findings or questioned costs reported in the Single Audit Report.

As a recipient of federal, state, and local funding, the Authority is required to have an annual audit conducted by independent auditors in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. These audited financial statements are required to be completed within six months of the close of the preceding fiscal year.

On May 28, 2019, the Authority's Board of Directors awarded a contract for audit services to Brown Armstrong Accountancy Corporation, CPAs. The contract requires

Brown Armstrong to review and present the Authority's Draft Financial Statements and Single Audit Report to the Board of Directors.

The audit expresses an opinion as to whether the financial statements prepared by management are presented fairly in all material respects and in conformity with U.S. generally accepted accounting principles.

The Finance staff prepared the supporting documentation, draft financial statements and provided the information required for the Single Audit Report. Staff provided assistance and complied in providing all information requested by the Brown Armstrong team conducting the audit fieldwork.

Brown Armstrong has issued the Draft Financial Statements with an unmodified ("clean") opinion, with no findings or questioned costs.

Prepared by:

Submitted by:

Judy Vaccaro-Fry
Director of Finance and Administration

Macy Neshati
Executive Director/CEO

Attachments: A – Draft Financial Statements as of June 30, 2019 and 2018
 B – Single Audit Report on Federal Awards (June 30, 2019)

DRAFT

To the Board Directors
Antelope Valley Transit Authority
Antelope Valley, California

We have audited the basic financial statements of the Antelope Valley Transit Authority (AVTA) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated _____, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by AVTA are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by AVTA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting AVTA's basic financial statements were:

Management's estimate of the useful lives of capital assets for purposes of calculating annual depreciation expense. Estimated useful lives range from three to thirty-four years. We evaluated the key factors and assumptions used to develop the estimates of the useful lives of assets in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the net pension liability is based on actuarial valuations that involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. We evaluated the key factors and assumptions used to develop the estimates of the net pension liability in determining that it is reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements were:

The disclosures of Capital Assets and Net Pension Liability in Notes 5 and 7 of the basic financial statements.

The basic financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements occurred during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated _____, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to AVTA's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as AVTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of AVTA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2019

DRAFT

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

ANTELOPE VALLEY TRANSIT AUTHORITY
JUNE 30, 2019

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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 year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise AVTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

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

Report on Summarized Comparative Information

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

Other Reporting Required by *Government Auditing Standards*

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2019

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

The management of the Antelope Valley Transit Authority (AVTA, Authority) offers the readers of its financial statements this narrative overview and analysis of the financial activities of AVTA for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the accompanying the basic financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- AVTA's cash and investments at fiscal year-end June 30, 2019 was \$23,857,264.
- Due from governments at June 30, 2019 was \$7,731,510; of this, \$2,526,612 was due from the Federal Transit Administration, \$2,142,087 was from the Los Angeles Metropolitan Transportation Authority, and \$1,879,051 is from the State of California.
- As of June 30, 2019, capital assets not subject to depreciation include \$1,816,616 in land value and \$8,852,311 in construction projects still in progress; capital assets being depreciated were \$120,173,217.
- Total revenues from all sources were \$43,187,893, reflecting an increase of \$6,565,286, or a 18% increase from the previous fiscal year.
- The total costs of all AVTA's transit services and projects, excluding depreciation expense, were \$25,357,003, reflecting an increase of \$778,817, or a 3.2% increase over prior fiscal year.
- The excess of revenues over expenses from all sources of AVTA's transit services and projects, including depreciation expense, was \$11,352,870. For the prior fiscal year, revenues exceeded total costs by \$7,811,239.
- Member jurisdictions contributed \$3,145,689 in support of transit service operations plus an additional \$162,410 for maintenance of bus stops. Member jurisdictions further contributed a total of \$460,896 for non-operating capital reserves.
- AVTA implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, in 2015, which is intended to improve the accounting and financial reporting by state and local governments for pensions. As of June 30, 2019 the net pension plan liability balance is \$1,071,984 reflecting a decrease of \$27,917.
- AVTA's net position (the extent that assets exceeds liabilities) at the close of the fiscal year 2019 was \$91,759,430. Of this amount, \$74,420,035 reflects the net amount of funds invested in capital assets. The accumulation of restricted jurisdictional contributions to a capital reserve totals \$5,517,936. The remaining \$11,821,459 is unrestricted, and may be used to meet AVTA's ongoing financial obligations.

FINANCIAL STATEMENT OVERVIEW

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

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

Statement of Revenues, Expenses and Changes in Net Position. The information presented in this report shows how AVTA's net assets changed during the two most recent fiscal years. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Statement of Cash Flows. This report presents the sources and uses of funds of AVTA. It shows the inflow and outflow of cash from AVTA's operating activities, non-capital financing activities, capital and non-related activities, and investing activities.

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

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

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

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

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

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

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

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

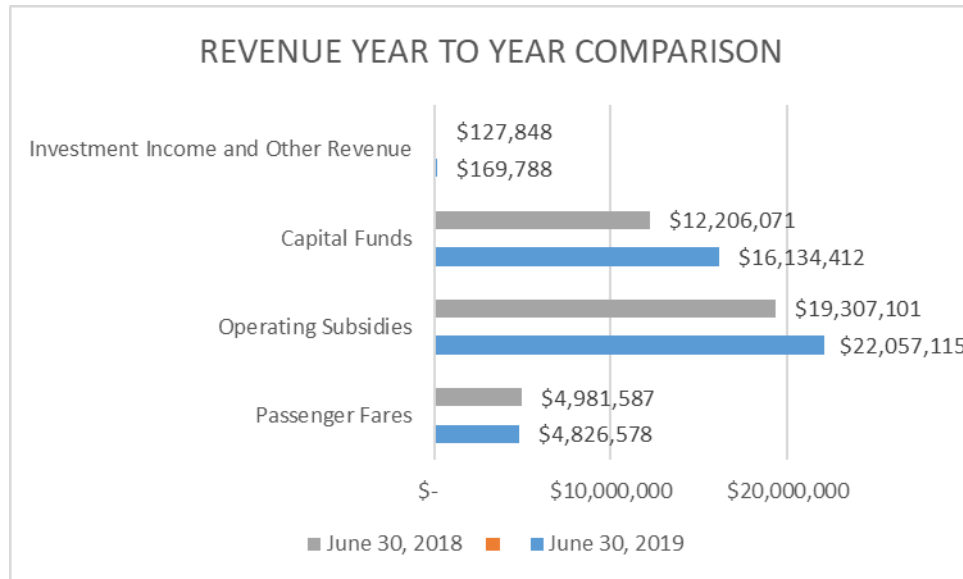
Overall, the Authority has seen a 14% increase in Net Position in fiscal 2019. AVTA anticipates continued grant funding, primarily from the state of California, for the replacement and possible expansion of the local transit fleet in years to come.

REVENUE AND EXPENSES: CHANGES IN NET POSITION

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

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

Figure 1 – Analysis of Revenues

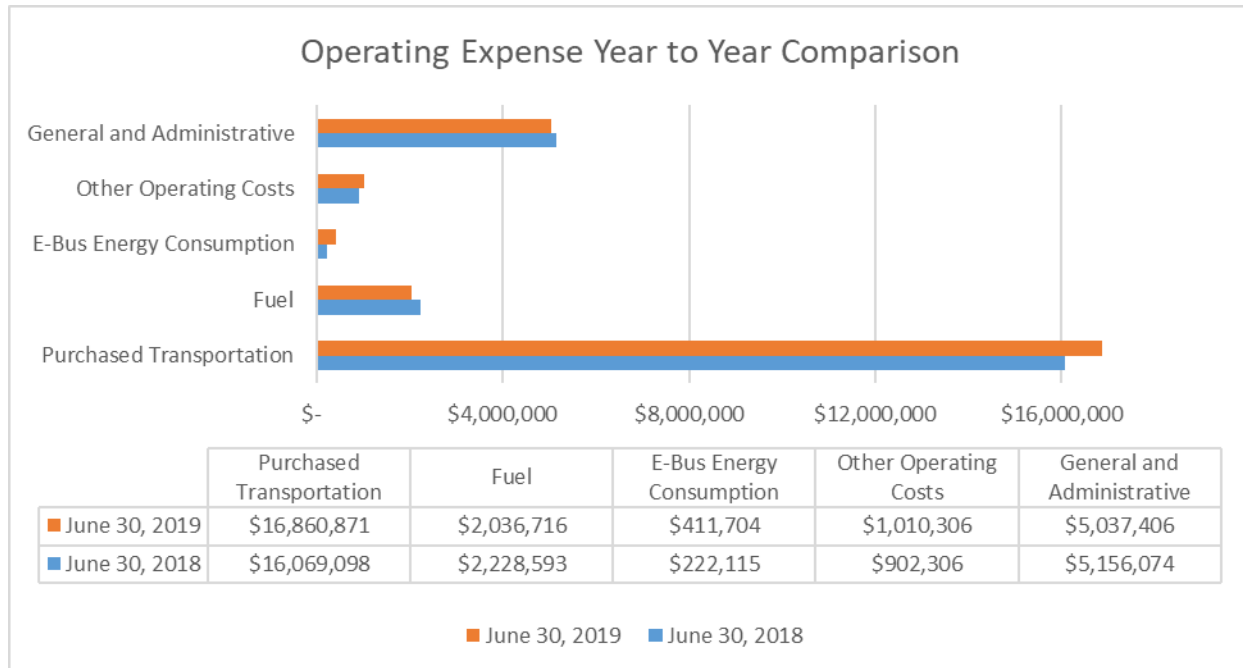


Discussion of Revenues. For the fiscal year ended June 30, 2019, AVTA’s total revenues from all sources were \$43,187,893 up \$6,565,286 or almost 18% from fiscal year 2018. Capital Grants and Contributions increased by \$3.9 million as state funding has grown specifically to fund the purchase of electric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

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

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

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



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

AVTA contracts with Transdev Transportation for fleet dispatch, field operations and maintenance, and with the IntelliRide Company for Dial-A-Ride services. Purchased transportation increased by \$791,000 due to annualized contract increases that occur January 1st of every year.

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

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

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

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

Analysis of Major Funds. AVTA uses fund accounting to ensure and demonstrate compliance with finance-related reporting requirements. The general fund is the chief operating fund of AVTA. The focus of the general fund is to provide information on inflows, outflows and the balances of spendable resources. Fund accounting facilitates tracking the funding and expenses associated with specific projects, required for reporting whenever federal funds are used. As of June 30, 2019, unrestricted net position is \$11.8 million, a decrease of (\$6.5 million) over the prior year; the biggest contributor to this reduction was significant increase in liabilities due for the 60ft articulated buses AVTA uses. Funds restricted for capital acquisition are \$5.5 million, a decrease of \$1.4 million from capital reserve contributions for the fiscal year ended June 30, 2019. The decrease is due to the purchase of electric buses and the use of capital reserve savings to offset some of the costs.

CAPITAL ASSETS

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

Table 3 – Capital Assets net of Accumulated Depreciation

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

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

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

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

BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

B. Basic Financial Statements

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

D. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates, and have an original maturity date of nine months or less.

E. Investments

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

F. Budgetary Information

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

G. Inventory and Prepaid Items

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

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

H. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)I. Federal, State, and Local Grants

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

J. Compensated Absences

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

K. Pensions

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

L. Deferred Outflows of Resources

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

M. Deferred Inflows of Resources

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

N. Net Position

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)O. Use of Estimates

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

P. New Accounting Pronouncements – Implemented

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

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

Q. Future GASB Statements

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

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

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

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

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

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

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

The table below identifies the investment types that are authorized for AVTA by the California Government Code (or AVTA's investment policy, whichever is more restrictive). The table also identifies certain provisions of the California Government Code (or AVTA's investment policy, whichever is more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

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

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

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements rather than the general provisions of the California Government Code or AVTA's investment policy. AVTA did not have any investments held by bond trustees as of June 30, 2019 and 2018.

Disclosures Relating to Interest Risk

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

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Disclosures Relating to Interest Risk (Continued)

Information about the sensitivity of the fair value of AVTA’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of AVTA’s investments by maturity as of June 30, 2019 and 2018:

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

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

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

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

As of June 30, 2019 and 2018, AVTA did not have any investments whose fair values are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude to AVTA’s investment in a single issue or instrument. AVTA’s investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2019 and 2018, except for its investments in LAIF and Wells Fargo Bank, AVTA did not have any investments in any one issuer that represented 5% or more of its total investment portfolio.

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and AVTA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investment, other than for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the local government unit. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment in State Investment Pool

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

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Due from other governments consisted of the following at June 30, 2019 and 2018:

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

NOTE 4 – ADVANCES

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund is a part of the State of California's Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act), approved by California voters as Proposition 1B on November 7, 2006. A total of \$19.9 billion was deposited into the PTMISEA Fund, \$3.6 billion of which was made available to fund grants to project sponsors in California for approved eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement. It is AVTA's practice to record as unearned revenue any funds received prior to the incurrence of eligible expenses. PTMISEA activity during the years ended June 30, 2019 and 2018, was as follows:

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

NOTE 5 – CAPITAL ASSETS

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

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

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

NOTE 5 – CAPITAL ASSETS (Continued)

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

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

NOTE 6 – COMPENSATED ABSENCES

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CalPERS)

General Information about the Pension Plan

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

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

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

	Prior to January 1, 2013 (Classic Members)	On or after January 1, 2013 (PEPRA Members)
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Retirement age monthly benefits as a % of eligible compensation	1.4% to 2.4%	1.0% to 5.2%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	8.89%	6.84%

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

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

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

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

\$264,578 reported as deferred outflows of resources related to pensions are related to contributions made by AVTA subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources will be amortized into pension expense as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 8 – RISK MANAGEMENT

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

NOTE 8 – RISK MANAGEMENT (Continued)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. AVTA maintains workers' compensation insurance policies covering claims up to \$5,000,000. An excess coverage insurance policy covers individual claims in excess of \$5,000,000. AVTA does not have any liabilities for unpaid claims as of June 30, 2019. Settled claims have not exceeded insurance coverage limits during the fiscal years ended June 30, 2019 and 2018.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Litigation

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

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

B. Federal, State, and Local Grants

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

C. Purchase Contracts

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

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

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through [REDACTED], 2019, the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Notes to Schedule:

Benefit changes: There have been no benefit changes.

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

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

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

ANTELOPE VALLEY TRANSIT AUTHORITY

SINGLE AUDIT REPORT

JUNE 30, 2019

ANTELOPE VALLEY TRANSIT AUTHORITY

JUNE 30, 2019

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Antelope Valley Transit Authority

We have audited, in accordance with the 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, the basic financial statements of the Antelope Valley Transit Authority (AVTA), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise AVTA's basic financial statements, and have issued our report thereon dated _____, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AVTA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AVTA's internal control. Accordingly, we do not express an opinion on the effectiveness of AVTA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of AVTA's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AVTA's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AVTA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVTA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Directors
Antelope Valley Transit Authority
Lancaster, California

Report on Compliance with Transportation Development Act Requirements

We have audited the Antelope Valley Transit Authority (AVTA) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by AVTA were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Santa Barbara County Association of Governments as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the applicable statutes, rules, and regulations of the TDA.

Auditor's Responsibility

Our responsibility is to express an opinion on each of AVTA's compliance requirements referred to in Section 6667, which requires that for a transit claimant, the independent auditor will perform at least the following tasks:

- a) Determine whether the claimant was an entity eligible to receive the funds allocated to it,
- b) Determine whether the claimant is maintaining its accounts and records on an enterprise fund basis and is otherwise in compliance with the uniform system of accounts and records adopted by the State Controller, pursuant to Public Utilities Code Section 99234,
- c) Determine whether the funds received by the claimant pursuant to the TDA were expended in conformance with those sections of the TDA specifying the qualifying purposes, including Public Utilities Code Sections 99262 and 99263 for operators receiving funds under Article 4; Sections 99275, 99275.5 and 99277 for Article 4.5 claimants; and Section 99400(c), (d), and (e) for Article 8 claimants for service provided under contract, and Section 99405(d) for transportation services provided by cities and counties with populations of less than 5,000,
- d) Determine whether the funds received by the claimants pursuant to the TDA were expended in conformance with the applicable rules, regulations, and procedures of the transportation-planning agency and in compliance with the allocation instructions and resolutions,
- e) Determine whether interest earned on funds received by the claimant, pursuant to the TDA were expended only for those purposes for which the funds were allocated in accordance with Public Utilities Code Sections 99234.1, 99301, 99301.5, 99301.6,

- f) Verify the amount of the claimant’s operating cost for the fiscal year, the amount of fare revenues required to meet the ratios specified in Sections 6633.2 and 6633.5 and the amount of the sum of fare revenues and local support required to meet the ratios specified in the Section 6633.2,
- g) Verify the amount of the claimant’s actual fare revenues for the fiscal year,
- h) Verify the amount of the claimant’s actual local support for the fiscal year,
- i) Verify the amount the claimant was eligible to receive under the TDA during the fiscal year in accordance with Sections 6634 and 6649,
- j) Verify, if applicable, the amount of the operator’s expenditure limitation in accordance with Section 6633.1,
- k) In the case of an operator, determine whether the operator’s employee retirement system or private pension plan is in conformance with the provisions of Public Utilities Code Sections 99271, 99272, 99273,
- l) In the case of an operator, determine whether the operator has had a certification by the Department of the California Highway Patrol verifying that the operator is in compliance with Section 1808.1 of the Vehicle Code, as required in Public Utilities Code Section 99251,
- m) In the case of an operator, verify, if applicable, its State Transit Assistance eligibility pursuant to Public Utilities Code Section 99314.6 or 99314.7, and
- n) In the case of a claimant for community transit services, determine whether it is in compliance with Public Utilities Code Sections 99155 and 99155.5. Compliance with the requirements referred to above is the responsibility of AVTA’s management. Our responsibility is to express an opinion on AVTA’s compliance based on our audit.

Opinion on Transportation Development Act Compliance

In our opinion, AVTA complied, in all material respects, with the compliance requirements referred to above that are applicable to AVTA for the year ended June 30, 2019.

Report on Public Transportation Modernization Improvement and Service Enhancement Account

Also, as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

In November 2006, California Voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization Improvement and Service Enhancement Account (PTMISEA). Additionally, Section 8879.23 (h) directs that \$1 billion dollars be deposited in the Transit System Safety, Security and Disaster Response Account. This section further directs that \$100 million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security and disaster response projects (OHS). These funds are available to the California Department of Transportation for intercity rail projects and to transit operations in California 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.

As of June 30, 2018, all Proposition 1B funds received and expended were verified in the course of our current and previous audits as follows:

Unspent funds as of June 30, 2018	\$	2,023,011
Funds received		915,662
Expenses incurred		<u>(1,922,499)</u>
 Unspent funds as of June 30, 2019	 \$	 <u>1,016,174</u>

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of AVTA's compliance with the applicable bond act and state accounting requirements.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Antelope Valley Transit Authority

Report on Compliance for Each Major Federal Program

We have audited the Antelope Valley Transit AVTA's (AVTA) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of AVTA's major federal programs for the year ended June 30, 2019. AVTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of AVTA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AVTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AVTA's compliance.

Opinion on Each Major Federal Program

In our opinion, AVTA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of AVTA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AVTA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AVTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the basic financial statements of AVTA as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise AVTA's basic financial statements. We issued our report thereon dated _____, 2019, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
_____, 2019

FINANCIAL STATEMENTS

**ANTELOPE VALLEY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Portion of Eligible Expenditures</u>
U.S. Department of Transportation				
Direct Assistance				
Federal Transit Cluster				
Federal Transit - Formula Grants	20.507	CA-90-Y875	\$ -	\$ 657,872
Federal Transit - Formula Grants	20.507	CA-90-Y968	-	349,639
Federal Transit - Formula Grants	20.507	CA-90-Z129	-	1,561,402
Federal Transit - Formula Grants	20.507	CA-90-Z059	-	3,734,266
Federal Transit - Formula Grants	20.507	CA-90-063	-	192,876
Federal Transit - Formula Grants	20.507	CA-90-111	-	108,351
Federal Transit - Formula Grants	20.507	CA-2018-063-00	-	6,300,000
Total Federal Transit Cluster			-	12,904,406
Pass-Through Assistance from				
Los Angeles County Metropolitan				
Transportation Authority				
Job Access Reverse Commute Grant	20.516		-	275,745
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 13,180,151</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**ANTELOPE VALLEY TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Antelope Valley Transit Authority (AVTA) that are reimbursable under programs of federal agencies providing financial awards. For the purposes of this schedule, financial awards include federal awards received directly from a federal agency, as well as federal funds received indirectly by AVTA from a non-federal agency or other organizations. The portions of program expenditures reimbursable with such federal funds are reported in the accompanying schedule. Program expenditures in excess of the maximum reimbursement authorized or the portion of the program expenditures that were funded with other state, local or other non-federal funds are included in the accompanying schedule under total expenditures. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of AVTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of AVTA.

B. Basis of Accounting

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Under the accrual basis of accounting, expenditures are recognized when incurred. Expenditures reported include any property or equipment acquisitions incurred under the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

AVTA has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Subrecipients

AVTA did not disburse any funds to subrecipients during the year ended June 30, 2019.

FINDINGS AND QUESTIONED COSTS SECTION

ANTELOPE VALLEY TRANSIT AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

Yes No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness identified?

Yes No

Significant deficiencies identified that are not considered to be material weaknesses?

Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes No

Identification of major programs:

CFDA Number(s)
20.507

Name of Federal Program or Clusters
Federal Transit Cluster Program

Dollar threshold used to distinguish Type A and B programs:

\$750,000

Auditee qualified as low risk auditee?

Yes No

II. Findings Relating to Financial Statements Required Under Generally Accepted Government Auditing Standards (GAGAS)

None.

III. Federal Award Findings and Questioned Costs

None.

IV. State Award Findings and Questioned Costs

None.

V. Summary of Prior Audit (June 30, 2018) Findings and Current Year Status

None.



DATE: November 26, 2019

TO: BOARD OF DIRECTORS

SUBJECT: Contract #2020-04 to Taft Electric Company for Electric Bus Charging at Sierra Highway and Jackman Street within the City of Lancaster

RECOMMENDATION

That the Board of Directors authorize the Executive Director/CEO to execute Contract #2020-04 with Taft Electric Company, Ventura, CA for electric bus charging at Sierra Highway and Jackman Street within the City of Lancaster in the amount of \$1,187,491 plus applicable permit fees and sales tax.

FISCAL IMPACT

Sufficient grant funds have been included in the FY 2020 Budget to pay for this project.

BACKGROUND

AVTA released a Request for Proposals (RFP) and awarded a subsequent contract to WAVE (Wireless Advanced Vehicle Electrification, Inc.) on May 24, 2016. Under this agreement, they are to deliver up to fifteen additional charging stations. The Board approved the last WAVE infrastructure and construction project at 40th Street East and Palmdale Blvd at their regular meeting held on October 24, 2019.

AVTA released an Invitation for Bids (IFB) on September 27, 2019 for the installation of three high-power 250kW chargers at Sierra Hwy and Jackman Street within the City of Lancaster. The three WAVE charging infrastructure improvements are to include street signal lights, break room and toilet building, underground electrical service, concrete pads for electrical equipment, transformer pad, electrical equipment installation, and other associated improvements. The awarded firm will provide project management, supervision, scheduling, equipment, labor, materials, freight, taxes and applicable permits for this project. Prior to the issuance of the IFB, Board and Transit Advisory Committee members were notified and asked to submit any recommendations for potential vendors. The solicitation documents were posted to AVTA's procurement website and advertisements were placed in the *Antelope Valley Press* and the *Our Weekly Lancaster* newsletter. The local Chambers of Commerce and AV Board of Trade were also notified via their respective email lists. AVTA's

procurement system provided the solicitation documents to 214 registered firms; fourteen (14) from Lancaster, four (4) from Palmdale and an additional 196 firms outside of the Antelope Valley.

Staff conducted a mandatory pre-bid conference on October 8, 2019, with six (6) firms attending. Four (4) addenda were released prior to the bid closing. The bid opening was held on October 31, 2019. Of the 214 firms that received notification of the IFB, only two (2) submitted bids. The firms that meet minimum requirements and their respective bid amounts are listed in the table below.

Firm	Location	Price
Taft Electric Company	Ventura, CA	\$1,839,011.00
Elecnor Belco Electric, Inc.	Chino, CA	\$1,873,175.00

The amounts listed in the above table exceeds the budgeted amount for this project. Staff has removed several line items from the bid schedule, which will be value engineered and released in a different solicitation in the near future. The items removed were erosion control, break room and toilet building, sewer line, and delivery of WAVE equipment.

The adjusted bid amounts are listed in the table below.

Firm	Location	Price
Taft Electric Company	Ventura, CA	\$1,187,491.00
Elecnor Belco Electric, Inc.	Chino, CA	\$1,195,975.00

Under AVTA's procurement policy requirements, an IFB must be awarded to the lowest responsive and responsible bidder.

Based on procurement policy requirements, the bids received were reviewed for requisite document submittal. Staff found the lowest bid complete with pricing to be fair and reasonable. Therefore, staff is recommending the Board approve a contract with Taft Electric Company. This project is anticipated to take approximately 150 days to complete from notice to proceed.

Prepared by:

Submitted by:

Lyle A. Block, CPPB
Procurement and Contracts Officer

Macy Neshati
Executive Director/CEO