# VICTOR VALLEY TRANSIT AUTHORITY (A JOINT POWERS AUTHORITY)

BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

# VICTOR VALLEY TRANSIT AUTHORITY
# (A JOINT POWERS AUTHORITY)

## FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Victor Valley Transit Authority
Hesperia, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the Victor Valley Transit Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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



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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2018, and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, schedule of the Authority's proportionate share of the net pension liability on page 35, and the schedule of contributions on page 36, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co LLP

Rancho Cucamonga, California
December 19, 2018

# Victor Valley Transit Authority

## Management's Discussion and Analysis

### June 30, 2018

This discussion and analysis of the Victor Valley Transit Authority's (Authority) financial performance for the fiscal year ended June 30, 2018, provides a financial summary of the Authority's current year results in comparison to the prior year. It should be read in conjunction with the accompanying, financial statements and notes to the financial statements.

The Management's Discussion and Analysis (MD&A) section of the Authority's annual financial report provides condensed comparative data and briefly discusses the financial activities during the fiscal year ended June 30, 2018. It is a separate but an integral part of the financial statements and notes that follow. The purpose of this MD&A is to promote an understanding of the Authority's financial statements.

The financial statements of the Authority supply information using accounting methods similar to those used by private sector companies. These statements offer short and long-term information about its activities.

The *Statement of Net Position* includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides the basis for evaluating the capital structure, liquidity and overall financial integrity of the Authority.

The *Statement of Revenues, Expenses and Changes in Net Position* displays the revenues, expenses and changes in net position for the Authority and measures the success of operations over the past year. It can be used to determine credit worthiness and whether revenue sources matched, exceeded or failed to meet expenses.

The final financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It accounts for the cash and cash equivalents balance available at the beginning of the year and at year's end. It displays cash received, cash expended, and the net change in the amount of cash and cash equivalents.

## HIGHLIGHTS

- Net Position: Overall Net Position increased $3,071,663 and was largely impacted by a net investment in capital assets and restricted capital assets of $3,661,747 as well as a decrease in Unrestricted Net Position of $590,084. These changes are explained in detail in this report.

- The value of the Authority's capital assets (net of deletions and depreciation) increased by $3,007,861 or 9.2%. This increase was caused by investment in new assets of $7,599,599 offset by depreciation and asset retirement costs totaling $4,591,735. This increase in depreciable asset value also had a significant impact on the overall ending net position as explained later in this discussion.

- The Authority's overall operations statistics were impacted this year by a contracted 1.5% increase in its operations contract, a full year of operation of a new route in Oak Hills launched the prior year, the addition of a VOM to route 52, an increase in the span of service for Barstow routes 1 through 5, and the addition of Barstow route 6. The financial impact of these changes are discussed in detail throughout the MD&A.

- Program revenues: (passenger fares and operating assistance) decreased by 3% or $99,684, as compared to the prior year. Other program revenues for FY17/18 totaled $1,181,564, representing a slight decrease of ($17,802) when compared to the prior year. The decrease was largely due to the result of expected variations in revenue sources contributing to this revenue category. Details of these revenue sources and changes are discussed in detail in the following report. Program revenues contributed by Federal, State and Local agencies increased by $1,363,908 and were sufficient to meet the operating expense needs of the Authority.

- Capital revenues contributed by Federal, State and Local agencies increased by $6,038,676 to a total of $8,612,296. Capital revenues from these sources were provided by grants to support specific capital purchases. Capital purchases vary greatly from year to year depending on the needs and objectives of the Authority. The funds received were enough to meet the capital needs of the agency for FY17/18.

- Total revenues increased by 30.5% from $23,823,604 in FY 16-17 to $31,108,702 in FY17-18 largely due to the addition of capital revenues as explained above.

- Total expenses, including depreciation and interest, for the fiscal year totaled $28,037,039 an increase of $1,977,778 or 7.6% when compared to the prior fiscal year. This increase was impacted by increases in operating expenses of $1,492,707, General and Administrative cost increases of $550,503 and depreciation expense decrease of ($141,118), offset by a 1.8% decrease in capital interest expenses ($16,225) as a result of the refunding of the Authority's 2007 debt issuance, and the contribution of capital assets totaling $91,911 to a non-profit partner providing ride services to senior and disabled clients.

- Cash and equivalents at end of year were $13,722,358. Of this amount, $3,699,925 is available for operations, with the balance restricted by grant agreements or governing body policy to be used on specific capital projects including the purchasing of rolling stock, vehicle equipment and capital improvements, repairs and equipment for the Authority's facility.

  Included in this cash position is $2,176,014 which is restricted by a debt agreement in connection with the construction of the Authority's facility, $3,242,477 in Prop 1B funds and $298,398 in LCTOP funds both of which are restricted by grant agreements for certain capital projects, and $4,299,674 restricted by the Authority's governing board for specific capital projects.

- In FY14/15 VVTA adopted the provisions of GASB68 which had implications on costs and net position of the Authority. Statement 68 was issued by GASB in June 2012, requiring public employers who participate in a defined benefit pension plan administered as a trust or similar arrangement (such as CalPERS), to comply with new accounting and financial reporting standards. These standards required, amongst other things, that risk pooled employers like VVTA, would have to report their proportionate share of collective Net Pension Liability (NPL), Pension Expenses, and Deferred Inflows/Outflows of resources, from the funds that CalPERS managed. Prior to GASB 68, VVTA reported only amounts contributed by VVTA to the CalPERS retirement plan on behalf of eligible participating staff members, as an expense without indication of a shared liability for future potential pension expenses. In the FY17/18 financial statements, VVTA has reported its proportionate share of collective Net Pension Liability (NPL), Pension Expenses, and Deferred Inflows/Outflows of resources. These requirements had a very minor impact on VVTA's overall financial statements. Ending proportionate share of NPL for VVTA in FY17/18 is $179,958 or 0.5% of total liabilities.

  Additional information pertaining to the specific impact of these Statements and the treatment on the Authorities' financial statements are detailed in the "notes to the financial statements" and in the "Required Supplementary Information" section following the notes.

## FINANCIAL ANALYSIS OF VICTOR VALLEY TRANSIT AUTHORITY

One of the most important questions asked is *"Is the Authority better off or worse off as a result of the year's activities?"* The Statement of Net Position and the Statement of Revenues and Expenses, provide information about the Authority's activities to help answer that question. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or weakening. The Authority accounts for all transactions in an enterprise fund which uses the full accrual basis of accounting. The activity shown in Table A-1 represents all activity through that fund.

### ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES

**A summary of the Authority's *Statement of Net Position* is presented in Table A-1.**

**Table A-1**
**Condensed Statement of Net Position**

| | 30-Jun | | Dollar | Percentage |
|---|---|---|---|---|
| | 2018 | 2017 | Change | Change |
| **Current Assets** | $18,107,714 | $19,584,014 | $ (1,476,300) | |
| **Capital assets (net)** | $66,159,574 | $63,151,713 | $ 3,007,861 | |
| **Total Assets** | **$84,267,288** | **$82,735,727** | **$ 1,531,561** | **1.9%** |
| **Deferred Outflows (pensions)** | $470,625 | $508,148 | $ (37,523) | |
| **Deferred Outflows (refunding)** | $1,104,047 | $1,162,154 | $ (58,108) | |
| **Total Assets & Deferred Outflows** | **$85,841,960** | **$84,406,029** | **$ 1,435,930** | **1.7%** |
| **Current Liabilities** | $12,665,288 | $13,604,142 | $ (938,854) | |
| **Non-Current Liabilities** | $23,159,851 | $23,896,844 | $ (736,993) | |
| **Net Pension Liability** | $179,958 | $137,916 | $ 42,042 | |
| **Total Liabilities** | **$36,005,097** | **$37,638,902** | **$ (1,633,805)** | **-4.3%** |
| **Deferred Inflows (pension)** | $39,684 | $41,611 | **$ (1,927)** | **N/A** |
| **Net Position** | | | | |
| Net investment in capital assets | $43,513,770 | $39,852,023 | $ 3,661,747 | |
| Restricted for Debt Service | $2,176,014 | $2,176,014 | $ - | |
| Unrestricted | $4,107,395 | $4,697,479 | $ (590,084) | |
| **Total Net Position** | **$49,797,179** | **$46,725,516** | **$ 3,071,663** | **6.6%** |
| **Total Liabilities, Deferred Inflows & Net Position** | **$85,841,960** | **$84,406,029** | **$ 1,435,931** | **1.7%** |

**Table A-1, shows the Authority's total net position increased from $46,725,516 in FY16/17 to $49,797,179 in FY17/18 or 6.6% as a result of the year's activities and as explained further in this report.**

- **Current assets** decreased by ($1,476,300) or 7.5% due to decreases in Proposition 1B and LCTOP Capital project funds of ($1,972,832), Cash and Investments-Board reserved ($5,325), receivables ($2,233,740) and prepaid expenses of ($12,715). These decreases were offset by increases in Operating Cash of $2,742,561 and $5,751 in miscellaneous capital funds. Decreases in Capital Project Funds were driven by the expenditures of these funds on capital projects including the purchase and improvements of bus stop shelters and amenities, the purchase of new revenue vehicles, major improvements to existing vehicles and Intelligent Transportation systems technology. These funds are restricted by state regulations for specific future capital projects and are received in advance of capital expenditures. Since the Proposition 1B program has ended, no new funding for this capital project category was received in FY17/18. The Authority expects to spend down its remaining funding of $3,540,875 over the next two years. Cash and Investments-Board Reserved are set aside by the Authority's Board of Directors for future capital projects. Increase to these funds in FY18 were derived from California Solar Incentives (CSI) program of $116,808, the receipt of Federal Excise Tax credits for the production of Compressed Natural Gas in the amount of $563,348, and interest accumulations of $32,935. These increases were offset by capital expenditures from these funds in the amount of ($718,416). Decreases in receivables were driven primarily by federal and local grant funding cycles which had delayed the Authority's ability to invoice for earned revenues during FY17 but were invoiced and collected in FY18. This reduction in receivables was a major contributor to the increase in the Authority's operating cash.

- **Total Capital Assets** (net of depreciation) **increased by $3,007,861.** This change reflects the net activity in the capital asset accounts including additions and retirements of assets as well as accumulated depreciation expense charges. This increase indicates that the Authority's investment activity in capital assets was more than its charges and increased by 4.8% as compared to the prior year.

| | **FY2018** | **FY2017** |
|---|---|---|
| **Land** | $1,693,350 | $1,693,350 |
| **Construction in Process** | 986,075 | 236,056 |
| **Total Non-Depreciable** | **2,679,425** | **1,929,406** |
| | | |
| **Property & Equipment** | 63,480,149 | 61,222,307 |
| **Total Capital Assets (net)** | **$66,159,574** | **$63,151,713** |

Depreciable Property and Equipment assets (net of depreciation and retirements) increased by $2,257,842. This increase was due to new and replacement equipment acquisitions of $6,849,580 offset by ($2,184,179) in asset retirements and a net increase in accumulated depreciation expenses of ($2,407,559). The ending balance of $986,075 in the Construction in Progress account is for a new Intelligent Transportation System (ITS) ($747,398) which will improve the Authority's transit command and control system, an Integrated Voice Response

System ($236,056) that will support the Authority's demand response client services, and the balance of ($2,621) is for preliminary expenses in preparation for the Authority's new bus maintenance facility in Barstow, Ca. The ITS and IVR systems are scheduled for completion in the first half (H1) FY18-19, and the new maintenance facility in FY19-20.

Investment of $6.85M in Property & Equipment was for purchased capital assets of nine (9) new 35-40 foot Eldorado Axess buses used in Fixed Route operations, twelve (12) new Eldorado Aerotech 240 buses used in Demand Responsive service, and two (2) new service vehicles used to provide supervisory support to the transit system. Further investment was made into the replacement of major components (engines and transmissions) in a number of revenue vehicles to extend their useful life, new and replacement bus shelters and solar lighting for bus stops, the completion of an Ecolane DRT system to manage Demand Responsive command and control, along with furnishings, fixtures and computer equipment to support the Authority's transit facilities in Hesperia and Barstow CA.

- **Total Liabilities decreased by ($1,633,805)** when compared to FY16/17 due to a decrease in unearned revenue of ($1,300,281) from the disbursement of Proposition 1B funds on completed capital projects in excess of new receipts due to the ending of the Proposition 1B program, an increase of $321,233 in the balance of accounts payable and accrued expenses caused by an increase in operations expenses, along with a $15,194 increase in "compensated absence" liability balance as well as an increase of $25,000 in the current portion of VVTA's COP liability based on debt agreement terms. The balance of the change is reflected in a decrease of ($736,993) in the long-term balance of VVTA's COP liability as a result of principal payments in accordance with debt terms, and an increase in net pension liability of $42,042 as a result in changes in actuarial assumptions and pension fund investment income.

- **Net position – Net Investment in capital assets increased by $3,661,747.** This net increase was a result of the net activity in capital asset and liability accounts including additions and retirements of capital assets as well as accumulated depreciation expense charges, and increases or decreases in liabilities as explained earlier in this discussion.

- **Net position in the amount of $2,176,014 is restricted for debt service on a long-term lease arrangement maturing in 2037.** These funds are reserved as required by finance lease documents to provide security to the lessor for future lease payment obligations by the Authority. These funds will remain in this restricted status until the lease agreement matures in 2037. This amount is unchanged when compared to FY16/17.

- **Net position in the amount of $4,107,395 is unrestricted.** Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The balance in FY17/18 decreased $590,084 as compared to FY16/17. This increase is largely due to the receipt of California Solar Initiative rebate funds $116,808, Alternative Fuel Credits of $563,348, interest income of $32,935 on these funds, and miscellaneous income of $69,126 predominantly from retail fuel sales from VVTA's public fueling stations. These income amounts were offset by expenditures of ($718,415) for capital projects. The majority of VVTA's unrestricted net position has been designated by VVTA's Board to be used on future capital projects.

# Victor Valley Transit Authority

**Management's Discussion and Analysis**

**June 30, 2018**

**REVENUES – EXPENSES – AND CHANGES IN NET POSITION**

While the Statement of Net Position shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Position provides answers as to the nature and source of these changes.

**Table A-2**
**Statement of Revenues, Expenses and Changes in Net Postion**

| **Revenues** | **30-Jun** | | **Dollar** | **Percentage** |
|---|---|---|---|---|
| **Program Revenues (operating):** | **2018** | **2017** | **Change** | **Change** |
| Charges for Services (Fares) | $2,761,598 | $2,861,282 | (99,684) | |
| Federal Grants-Operating | $2,942,112 | $2,932,815 | 9,297 | |
| State and Local Grants-Operating | $15,611,132 | $14,256,521 | 1,354,611 | |
| Other Revenues | $1,181,564 | $1,199,366 | (17,802) | |
| **Capital Revenues:** | | | | |
| Federal Grants | $5,093,781 | $1,485,133 | 3,608,648 | |
| State and Local Grants | $3,518,515 | $1,088,487 | 2,430,028 | |
| **Total Revenues** | **$31,108,702** | **$23,823,604** | **7,285,097** | **30.6%** |
| | | | | |
| **Program Expenses** | | | | |
| Operations | $19,061,822 | $17,569,115 | 1,492,707 | |
| General and Administration | $3,412,414 | $2,861,911 | 550,503 | |
| Depreciation | $4,588,966 | $4,730,084 | (141,118) | |
| **Capital Expenses:** | | | | |
| Capital Interest Expense: | $881,926 | $898,151 | (16,225) | |
| Contributed Capital | $91,911 | $0 | 91,911 | |
| Loss on Disposal of Assets | $0 | $0 | 0 | |
| **Total Expenses** | **$28,037,039** | **$26,059,261** | **1,977,778** | **7.6%** |
| | | | | |
| **Changes in net position** | **$3,071,663** | **($2,235,657)** | **5,307,320** | |
| | | | | |
| **Net Position - Beginning of year** | **$46,725,516** | **$48,961,173** | **($2,235,657)** | **-5%** |
| | | | | |
| **Net Position - End of year** | **$49,797,179** | **$46,725,516** | **$3,071,663** | **6.6%** |

As shown on Table A-2, **Fare Revenues** decreased by $99,684 or 3.6% in FY 17/18. This decrease was largely due to a decrease in ridership attributable to an improving economy and a reduction in unemployment. Fare Revenues are expected to increase in FY18/19 approximately three percent (3%) due to a system wide fare rate increase initiated in October 2017 as well as an increased target marketing effort to increase ridership.

**Program revenues** to support operations received from Federal, State and Local agencies increased by $1,363,908 or 7.4%, as compared to the prior year. Federal operating grants increased $9,297, while State and Local operating grants increased $1,354,611. These changes were programmed as part of the FY17/18 budget.

*Other program revenues* for FY17/18 totaled $1,181,564, a minor decrease of ($17,802) when compared to the prior year. Other program revenues consisted of $116,808 from California Solar Initiative (CSI) rebates, $563,348 in excise tax credits for the production of Compressed Natural Gas (CNG) for the Authority's service fleet, $72,384 in interest income, $322,077 from retail sales of RCNG fuel and the associated RINS credits, $16,467 from the sales of assets, $48,255 from miscellaneous support funds provided by NTC Fort Irwin National Training Center, and the balance of $42,225 is for a non-cash realized value of donated revenue vehicles received by the Authority. Of these funds the CSI rebates, CNG tax credits, and the associated interest accumulations on those funds, were restricted for future capital use as directed by the Authority's Board of Directors and were unavailable to support operating costs in FY17/18. The Authority's CSI rebates ended in Q1-FY18 as part of the original five-year program. Additionally, the Federal government has not yet approved the CNG Excise Tax credit program for CY2018 and it is unknown whether these revenues will be available in the Authority's FY18/19 year. The minor decrease in other revenues from FY17/18 as compared to FY16/17, was largely due to the small fluctuations in receipts for each of the sources of funds in this category.

**Capital revenues** contributed by Federal, State and Local agencies totaled $8,612,296, an increase of $6,038,676 when compared to FY16/17. Capital revenues from these sources were provided by grants to support specific capital purchases. Capital purchases vary greatly from year to year depending on the needs and objectives of the Authority. The funds received were enough to meet the capital needs of the agency for FY17/18 which are detailed in this report's discussion of "Net Position".

**Total revenues** increased by 31% from $23,823,604 in FY 16-17 to $31,108,702 in FY17/18, as explained in the report above.

**Program expenses** increased 7.6%, or $1,902,092 when compared to the prior year. Of this amount, operations expense increased by $1,492,707 mainly due to the prior year expansion of service including the new Route 42 Apple Valley service, the expansion of the route 52, the expansion of routes 1 through 5 and the addition of route 6 in Barstow that were only partially realized in FY16/17 but had a full year of costing in FY17/18. These service expansions were in addition to the budgeted 1.5% increase in operational costs as required by VVTA's operations contract with Transdev. General and Administration (G&A) costs increased by $550,503 as part of a budgeted expansion in G&A support for the Authority's growing operational requirements. These increases were offset by a decrease of ($141,118) in depreciation expense.

## FINANCIAL CONDITION

Overall, the Authority's financial condition remained strong and stable as a result of various planned program activity growth along with continued capital investment. The Authority continues to enjoy strong financial support from a variety of sources including Federal, State and Local funding sources as well as continuing an aggressive program of growing other program revenues such as Low Carbon Fuel Standard credits that generate income from the production of vehicle fuels from natural gas. Additionally, with the passage of the FAST Act, the Federal government has pledged increased and stable support for transit overall, from which the Authority will continue to benefit. This strong financial condition is evidenced in Table A-1, which shows the Authority's total ending net position of $49,797,179.

Some specific activities that have led to the Authority's financial condition as of June 30, 2018, include:

- This fiscal year, the authority invested $6.85M in new capital asset acquisitions of vehicles and equipment. This robust investment demonstrates that the Authority's access to capital funding through Federal, State and local sources remains strong. The Authority's investment strategy is based on need from expansion, innovation and maintenance of its existing services. Capital asset investment in FY18/19 is forecasted to remain strong from investment in new Revenue vehicles, as well as continued capital investments in its facilities. Additionally, the Authority plans to raise $10M through the issuance of Certificates of Participation in Q2-FY19 for the construction of a Bus Maintenance Facility to support its expanded operations in Barstow, California.

- The Authority continued its extensive program for increasing the number of bus shelters, benches, solar lights and other passenger amenities. This program of bus stop improvements will continue into the next fiscal year.

- In June 2015, the Authority was designated as a Consolidated Transportation Services Agency (CTSA) for the High & North Desert regions of San Bernardino County. This represented an expanding role and commitment to the Authority's already established Mobility Management department and increased the VVTA service area from 425 to 950 square miles. Through the CTSA designation, the Authority has locked in Federal and Local funding and increased other funding opportunities through local non-profit partnerships. Throughout FY17/18 the Authority expanded its investment in these services by $186,399 or 260% when compared with FY16/17. This additional investment was used to expand existing programs and services which resulted in a continued reduction in the cost increase rate for its more traditional ADA services. It is estimated that the Authority has saved more than $1.0M through the provision of these new services. The Authority will continue its investment in the CTSA in FY18/19 with an estimated budget of $748,135.

- The Authority continued to invest in its Vanpool program operated under the management of its CTSA department. This program provides support for residents of the Authority's service area who must commute out of the service area for work. These vanpools serve to reduce traffic congestion and improve the environment through the lowering of carbon emissions. Additionally, the Authority reports the passenger miles produced by these vanpools has resulted in an estimated $3.0M increase in Federal funding for FY17/18 as compared to its cost of operating the service of $1.23M. These additional Federal funds are used for capital and operating support and expansion of VVTA's other transportation services. The Authority has continued its commitment to the Vanpool program in FY18/19 with further plans to aggressively market and grow the program by ten (10%) in that year.

- The Authority is in its second year of a three-year contract for natural gas supply with BP Energy. This natural gas is used to create Compressed Natural Gas (CNG) fuel for the Authority's fleet of vehicles. The contract with BP has provided the Authority with a source of renewable natural gas (RNG), which has resulted in substantial reductions in greenhouse emissions, as well as a decrease of up to 25% in its CNG fuel expenses in FY17/18. Additionally, the Authority generated $85k in RINs credit sales and accrued an estimated $500k in LCFS credits (based on current market rates) as a result of the RNG sourcing. The Authority will continue to source this valuable and environmentally friendly fuel in FY18/19.

- In FY17/18, the Authority came to the end of its seven-year contract with its operations contractor, Transdev. Due to the significant increases in scope of service during this contract period, the Authority decided that it will not exercise the optional years available in its existing contract but issued a competitive solicitation for a new contract beginning in FY18/19. As a result, a 90-day contract extension was negotiated with Transdev. The final award of a new five (5) year contract was ultimately awarded to National Express Transit commencing October 1, 2018. As a result of the services provided under the new contract, the Authority has budgeted a 12% increase in operational and G&A expenses in FY18/19.

The overall financial outlook for the Authority's programs and services remains strong, with a continued commitment to investment in capital assets, technologies and services coupled with fiscally responsible management that protects the investments of the Authority and its' member jurisdictions, and its investors, while providing the highest quality of transportation services to the communities it serves.

## CONTACTING THE AUTHORITY

This financial report is designed to provide our citizens and customers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions regarding this report or require additional financial information, please contact **Mr. Kevin Kane, Executive Director at**: **Victor Valley Transit Authority, 17150 Smoke Tree St., Hesperia, California 92345.**

**VICTOR VALLEY TRANSIT AUTHORITY**
**(A JOINT POWERS AUTHORITY)**

# STATEMENT OF NET POSITION
## JUNE 30, 2018

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash | $ | 7,246,670 |
| Cash and investments with fiscal agent - restricted | | 2,176,014 |
| Cash and investments - Board reserved | | 4,299,674 |
| Receivables: | | |
| Federal, State, and other local grants | | 4,216,871 |
| Other | | 126,607 |
| Prepaid expenses | | 28,796 |
| Fuel inventory | | 13,082 |
| Total Current Assets | | 18,107,714 |
| Capital Assets | | |
| Non-depreciable | | 2,679,425 |
| Depreciable | | 94,061,753 |
| Accumulated depreciation | | (30,581,604) |
| Capital assets, net | | 66,159,574 |
| **TOTAL ASSETS** | | 84,267,288 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred amounts related to pensions | | 470,625 |
| Deferred amounts related to debt refunding | | 1,104,047 |
| **TOTAL DEFERRED OUTFLOWS OF RESOURCES** | | 1,574,672 |
| **LIABILITIES** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | | 3,400,316 |
| Unearned revenues | | 8,564,463 |
| Refunding lease - due within one year | | 590,000 |
| Compensated absences | | 110,509 |
| Total Current Liabilities | | 12,665,288 |
| Non Current liabilities | | |
| Refunding lease - due in more than one year | | 23,159,851 |
| Net pension liability | | 179,958 |
| Total Non Current Liabilities | | 23,339,809 |
| **TOTAL LIABILITIES** | | 36,005,097 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred amounts related to pensions | | 39,684 |
| **NET POSITION** | | |
| Net investment in capital assets | | 43,513,770 |
| Restricted for: | | |
| Debt service | | 2,176,014 |
| Unrestricted | | 4,107,395 |
| **TOTAL NET POSITION** | $ | 49,797,179 |

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

**VICTOR VALLEY TRANSIT AUTHORITY**
**(A JOINT POWERS AUTHORITY)**

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
## YEAR ENDED JUNE 30, 2018

| | |
|---|---|
| **OPERATING REVENUES:** | |
| Fares | $ 2,546,768 |
| Special transit fares | 214,830 |
| Total Operating Revenues | 2,761,598 |
| **OPERATING EXPENSES:** | |
| Operations | 19,153,733 |
| General and administration | 3,412,414 |
| Depreciation | 4,588,966 |
| Total Operating Expenses | 27,155,113 |
| **OPERATING LOSS** | (24,393,515) |
| **NON-OPERATING REVENUES AND EXPENSES:** | |
| Operating Assistance: | |
| Federal Transit Administration Section 5307 | 2,066,969 |
| Federal Transit Administration Section 5310 | 5,867 |
| Federal Transit Administration Section 5311 | 647,285 |
| Federal Transit Administration Section 5316 | 95,135 |
| Federal Transit Administration Section 5317 | 27,864 |
| Federal Congestion Mitigation and Air Quality Improvement Program Demonstration | 98,992 |
| State Transit Assistance Fund, operating | 7,893 |
| Local Transportation Fund, operating | 13,948,768 |
| Measure I | 1,480,320 |
| AB 2766 | 122,306 |
| Gain on disposal of assets | 16,467 |
| Interest income | 77,062 |
| Solar panel rebates | 116,808 |
| CNG Tax Credits | 563,348 |
| State Toll Credits | 5,867 |
| State - LCTOP | 45,978 |
| Miscellaneous | 407,879 |
| Interest expense | (881,926) |
| Total Non-operating Revenues, Expenses | 18,852,882 |
| **INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS** | (5,540,633) |
| **CAPITAL CONTRIBUTIONS:** | |
| Federal Transit Administration Section 5307, capital | 1,965,843 |
| Federal Transit Administration Section 5310, capital | 155,200 |
| Federal Transit Administration Section 5317, capital | 643 |
| Federal Transit Administration Section 5339, capital | 564,908 |
| Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) | 2,407,187 |
| AB 2766, capital | 139,189 |
| Local Transportation Fund, capital | 522,585 |
| State Transit Assistance Fund | 780,634 |
| Proposition 1B | 1,995,082 |
| State Toll Credits | 38,800 |
| Miscellaneous | 42,225 |
| Total Capital Contributions | 8,612,296 |
| **CHANGES IN NET POSITION** | 3,071,663 |
| **NET POSITION, Beginning of year** | 46,725,516 |
| **NET POSITION, End of year** | $ 49,797,179 |

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

**VICTOR VALLEY TRANSIT AUTHORITY**
**(A JOINT POWERS AUTHORITY)**

**STATEMENT OF CASH FLOWS**
**YEAR ENDED JUNE 30, 2018**

| | |
|---|---|
| **Cash flows from operating activities:** | |
| Cash received from fares | $ 2,761,598 |
| Payments to employees | (945,039) |
| Payments to vendors for services | (21,210,924) |
| Net cash used in operating activities | (19,394,365) |
| **Cash flows from non-capital financing activities:** | |
| Operating grants received/solar panels rebates/CNG Tax Credits | 20,565,538 |
| **Cash flows from capital and related financing activities:** | |
| Capital grants received | 8,638,092 |
| Purchase of capital assets | (7,596,827) |
| Principal payments, lease agreement | (711,993) |
| Interest paid | (823,819) |
| Proceeds from disposal of capital assets | 16,467 |
| Net cash used for capital and related financing activities | (478,080) |
| **Cash flows from investing activities:** | |
| Interest received | 77,062 |
| Net increase in cash and cash equivalents | 770,155 |
| Cash and cash equivalents, beginning of year | 12,952,203 |
| Cash and cash equivalents, end of year | $ 13,722,358 |
| **Reconciliation of cash and cash equivalents to statement of net position:** | |
| Cash | $ 7,246,670 |
| Cash and investments with fiscal agent | 2,176,014 |
| Cash and investments Board reserved | 4,299,674 |
| Total Cash and Cash Equivalents | $ 13,722,358 |

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

**VICTOR VALLEY TRANSIT AUTHORITY**
**(A JOINT POWERS AUTHORITY)**

**STATEMENT OF CASH FLOWS (CONTINUED)**
**YEAR ENDED JUNE 30, 2018**

| | |
|---|---|
| **Reconciliation of operating loss to net cash used in operating activities:** | |
| Operating loss | $ (24,393,515) |
| Adjustments to reconcile operating (loss) to net cash used in operating activities: | |
| Depreciation expense | 4,588,966 |
| Changes in assets and liabilities: | |
| (Increase) decrease in assets: | |
| Accounts receivable | 9,201 |
| Prepaid expenses | (13,082) |
| Increase (decrease) in liabilities: | |
| Accounts payable and accrued liabilities | 321,233 |
| Compensated absences | 15,194 |
| Net pension liability | 42,042 |
| Change in deferred outflows of resources | 37,523 |
| Change in deferred inflows of resources | (1,927) |
| Total Adjustments | 4,999,150 |
| Net cash used in operating activities | $ (19,394,365) |

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

## *NOTE 1 – ORGANIZATION*

Victor Valley Transit Authority (VVTA) is a joint powers authority whose members are the cities of Adelanto, Barstow, Hesperia, Victorville, the Town of Apple Valley and the County of San Bernardino First and Third district. VVTA provides bus services to these cities, as well as the communities of Lucerne Valley, Phelan, Pinon Hills, Wrightwood, Helendale, Oro Grande, Fort Irwin, Hinkley, Newberry Springs, Yermo and Needles, as a means of meeting the transit needs of various transit-dependent groups within their 950-square mile geographic service area. The bus services VVTA provides includes fixed route services, deviated route services, County deviated routes, ADA para-transit routes, and commuter services. Additionally, VVTA is designated as a Consolidated Transportation Services Agency (CTSA) for the High Desert and North Desert regions of San Bernardino County, and provides a variety of services to support transit dependent groups that are unable to access its standard transit services. Through direct contracts with vendor providers as well as cooperative agreements with various non-profit organizations, VVTA's CTSA supports a Vanpool Program, Car Share program, Travel Reimbursement Incentive Program (TRIP), and directly provides Travel Training services. CTSA services are provided for rural areas of the North Desert, the communities of Trona and Big River in addition to the communities listed above. VVTA is governed by a Board of Directors comprised of seven (7) representatives. Five Board members are elected council members each appointed by the cities they represent as well as the San Bernardino County Supervisors representing the First and Third County districts.

## *NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

*The Financial Reporting Entity* – VVTA meets the criteria as a stand-alone government, and accordingly, is accounted for and reported as though it were a primary government.

*Basis of Accounting* – VVTA's proprietary fund financial statements are reported using the *economic resources measurement focus* and accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows.

*Cash and cash equivalents* includes demand deposits and amounts invested in savings and trustee accounts. For the purpose of the Statement of Cash Flows, cash and cash equivalents are defined as short-term deposits with original maturities of three months or less from the date of acquisition.

*Cash and investments with fiscal agent restricted* – Certain VVTA accounts are restricted by debt agreements to fund specified debt service requirements. At June 30, 2018, the balance held with fiscal agent pursuant to this agreement was $2,176,014.

*Fair Value Measurements* **-** Investments are reported at fair value which is the amount at which financial instruments could be exchanged in a current transaction between willing parties. All fair values are determined by external consultants. Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

*Grants* for operating assistance and capital acquisitions are included in revenue in the period in which the grant was earned. Federal capital grant funds claimed on a reimbursement basis have receivables for grant funds recorded as the related obligations are incurred. Capital grant funds advanced but not yet earned are treated as unearned revenues. Also, operating funds advanced from San Bernardino County Transit Authority (SBCTA) for working capital are treated as unearned revenues until earned. Operating assistance grants are included in non-operating revenues in the year in which the grant is applicable and the related expenses are incurred. Revenue earned under capital grants are recorded as capital contributions.

*Prepaid Expenses* – Prepaid expenses include inventories and costs for certain payments to vendors that reflect costs applicable to future accounting periods. The cost of prepaid items is recorded as expenses when consumed rather than when purchased.

*Fuel Inventory* – Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel for VVTA vehicles. The cost of such inventories is recorded as expenses when consumed rather than purchased. The value of fuel held at the transit facility on June 30, 2018, was $13,082.

*Capital assets* are stated at cost and depreciated using the straight-line method over the following estimated useful lives:

| | |
|---|---|
| Buildings and improvements | 5 to 40 years |
| Operations equipment | 3 to 12 years |
| Furniture and office equipment | 3 to 10 years |

VVTA's capitalization threshold is $1,500. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized. Interest incurred during the construction phase of the new facility project is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year.

*Estimates* – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Operating and Non-Operating Revenue* – VVTA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from directly providing services in connection with VVTA's principal operation of bus transit services. These revenues are primarily passenger fares. Non-operating revenues consist of federal, state and local operating grants, fuel tax credits, and investment income.

*Operating Expenses* include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as Non-Operating Expenses.

*Capital Contributions* consist of grants that are legally restricted for capital expenses by federal, state, or local law that established those charges.

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

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

*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 VVTA's participation in the California Public Employees Retirement System (CalPERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported to 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.

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. VVTA reports a deferred outflow related to pensions. VVTA also reports a deferred amount related to debt refunding which represents the remaining unamortized balance of the difference between the carrying value of the refunded debt and the reacquisition price.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. VVTA reports deferred inflows related to pensions.

*New GASB Pronouncements*

**GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. VVTA has not determined its effect on the financial statements.

**GASB Statement No. 84 –** In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. VVTA has not determined the effect of this Statement.

***NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)***

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-2021 fiscal year. VVTA has not determined the effect of the Statement.

**Governmental Accounting Standard No. 88** – GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The requirements of this Statement are effective for periods beginning after June 15, 2018. VVTA has not determined the effect of this Statement.

**Governmental Accounting Standard No. 89** – GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify 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. VVTA has not determined the effect of this Statement.

**Governmental Accounting Standard No. 90** – GASB Statement No. 90, *Majority Equity Interests-(an amendment of GASB Statements No. 14 and No. 61)*. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. VVTA has not determined the effect of this statement.

## *NOTE 3 – LEGAL SETTLEMENT, SOLAR PANEL REBATES, AND CNG TAX CREDITS*

During the fiscal year ending June 30, 2014, VVTA received a legal settlement from the insurance companies of the primary contractor of the Administrative Office Facility in the amount of $1,622,018. VVTA's Board of Directors approved to set aside these funds for future major repairs and renovation of the facility into an Administration/Maintenance Facility Reserve. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

VVTA has received SCE Solar Panel Rebates totaling $116,808 in the current year. VVTA's Board of Directors has approved to allocate these rebates to the Administration/Maintenance Facility Reserve. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

VVTA has also received CNG tax credits totaling $563,348 the current year. VVTA's Board of Directors has approved to allocate these tax credits to a Capital Reserve for Battery Electric Bus (BEB) Infrastructure project. The balance of these funds will be tracked separately on an annual basis. The balance is included in the unrestricted net position on the Statement of Net Position.

San Bernardino County Transportation Authority (SBCTA) has agreed that these funds are available to be retained and expended based upon the direction provided by VVTA's Board in accordance with existing Board Resolutions.

## *NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS*

<u>Federal Assistance</u>

Under the provision of the Federal Transit Administration (FTA), funds are available to VVTA for operating assistance, security, and various capital costs. Total FTA assistance provided during the fiscal year ended June 30, 2018 was $8,035,893.

<u>Transportation Development Act</u>

VVTA is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.4 and 99313.3 of the Public Utilities Code. VVTA receives allocations of local transportation funds pursuant to the Transportation Development Act of 1971. These funds are generated within San Bernardino County and are distributed based on annual claims filed by VVTA and approved by SBCTA.

A. Section 6634

   Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation Fund and the State Transit Assistance Fund in an amount which exceeds the claimant's costs less the sum of fares received, local support required to meet the fare ratio, federal operating assistance, and the amount received during the year from a city or county to which the operator has provided service beyond its boundaries.

### *NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)*

A. Section 6634, (Continued)

The computation of unearned revenue as of June 30, 2018 is as follows:

| | Operating Funds | Capital Funds | Total |
|---|---|---|---|
| Beginning balance, July 1, 2017 | $ 3,409,820 | $ 6,454,924 | $ 9,864,744 |
| Gross receipts | | | |
| Local Transportation Fund: | | | |
| Article 3 | - | 70,968 | 70,968 |
| Article 4 | 14,903,939 | 148,129 | 15,052,068 |
| Federal Transportation Administration: | | | |
| Section 5307 | 2,848,924 | 1,183,888 | 4,032,812 |
| Section 5310 | 5,867 | 155,200 | 161,067 |
| Section 5311 | 647,285 | - | 647,285 |
| Section 5316 | 95,135 | - | 95,135 |
| Section 5317 | 27,864 | 643 | 28,507 |
| Section 5339 | - | 564,908 | 564,908 |
| CMAQ | 98,992 | 2,407,187 | 2,506,179 |
| State Transportation Fund, Article 6.5 | 7,893 | 780,634 | 788,527 |
| Measure I | 1,480,320 | - | 1,480,320 |
| AB2766 | 122,306 | 139,189 | 261,495 |
| LCTOP | - | 993 | 993 |
| Prop 1B | 14,986 | 19,463 | 34,449 |
| State toll credits | - | 44,667 | 44,667 |
| Other capital revenue | 48,685 | 683,783 | 732,468 |
| Fares | 2,788,354 | - | 2,788,354 |
| Other non-transportation revenue | 85,298 | 20,000 | 105,298 |
| Disposal of capital assets | 19,236 | - | 19,236 |
| Interest | 44,127 | - | 44,127 |
| Miscellaneous | 288,528 | - | 288,528 |
| Total gross receipts | 23,527,739 | 6,219,652 | 29,747,391 |
| Operating expenses, less depreciation | 23,448,073 | - | 23,448,073 |
| Capital acquisitions | - | 7,599,599 | 7,599,599 |
| Amounts received (used) in excess of costs as of June 30, 2018 | 79,666 | (1,379,947) | (1,300,281) |
| Amount unearned at June 30, 2018 | $ 3,489,486 | $ 5,074,977 | $ 8,564,463 |

***NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)***

B. Section 99268.4 and 99405

Section 99268.4 indicates that in the case of an operator which is providing services using vehicles for the exclusive use of elderly and handicapped person, the operator shall be eligible for the Local Transportation Funds commencing with claims for the 1980-81 fiscal year if it maintains, for the fiscal year, a ratio of fare revenue to operating costs at least equal to 10-percent.

Section 99405(c) indicates that the 50-percent limitation shall not apply to the allocation to a city, county, or transit district for services under contract pursuant to subdivision (c) or (d) of Section 99400. The city, county or transit district shall be subject to Sections 99268.3, 99268.4, 99268.5, or 99268.9, as the case may be, and shall be deemed an operator for purposes of those sections, or shall be subject to regional, countywide, or county subarea purposes of those sections, or shall be subject to regional, countywide, or county subarea performance criteria, local match requirements, or fare recovery ratios adopted by resolution of the transportation planning agency or the county transportation commission for those services.

The Victor Valley Transit Authority was granted in September of 2017, pursuant to Section 99405, a fare ratio requirement of 18-percent by SBCTA.

The fare ratio as of June 30, 2018, is calculated as follows:

| | Motor Bus Routes | Handicapped Demand Response | Total |
|---|---|---|---|
| Operating expenses | $ 22,912,813 | $ 5,124,224 | $ 28,037,037 |
| Less: Depreciation | (3,705,223) | (883,743) | (4,588,966) |
| Less: Exemptions | (5,097,358) | (91,911) | (5,189,269) |
| Adjusted operating expenses | $ 14,110,232 | $ 4,148,570 | $ 18,258,802 |
| Fare revenue | $ 2,248,725 | $ 512,873 | $ 2,761,598 |
| Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the 18% fare ratio as permitted by section 99268.19 | 291,117 | - | |
| Adjusted fare revenue | $ 2,539,842 | $ 512,873 | |
| Fare ratio | 18.0% | 12.4% | |
| Total fare ratio pursuant to P.U.C. Sections 99405(c) and 99268.4, respectively | 18.0% | 10.0% | |

***NOTE 4 – FEDERAL, STATE, AND LOCAL GRANTS, (CONTINUED)***

*Proposition 1B*

The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Fund and the California Transit Assistance Fund (CTAF) are 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 Proposition 1B fund, $3.6 billion of which was made available to project sponsors in California for allocation to eligible public transportation projects over a 10-year period. Proposition 1B funds can be used for rehabilitation, safety, security, disaster response or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation or replacement. Proposition 1B cash receipts and cash disbursements were as follows:

| | PTMISEA | TSSSDRA | Total |
|---|---|---|---|
| Unspent Prop 1B funds as of July 1, 2017 | $ 5,191,247 | $ 6,313 | $ 5,197,560 |
| Prop 1B funds received during fiscal year ended June 30, 2018 | - | 14,954 | 14,954 |
| Prop 1B funds interest earned fiscal year ended June 30, 2018 | 19,463 | 32 | 19,495 |
| Prop 1B expenses incurred during fiscal year ended June 30, 2018 | (1,973,783) | (21,299) | (1,995,082) |
| Unearned balance, June 30, 2018 | $ 3,236,927 | $ - | $ 3,236,927 |

***NOTE 5 – CASH AND INVESTMENTS***

Cash and Investments are classified in the accompanying financial statements as follows:

| | | |
|---|---|---|
| Cash | $ 7,246,670 | ** |
| Cash and investments with fiscal agent - restricted | 2,176,014 | |
| Cash and investments - Board reserved | 4,299,674 | |
| Total | $ 13,722,358 | |

**Cash balance includes $3,236,927 of unspent Prop 1B grant funds which are restricted by grant covenants for specific capital projects and are not available for operating expenses or liabilities related to operating costs.

Cash and Investments consist of the following:

| | |
|---|---|
| Cash on hand | $ 29,261 |
| Deposits with financial institutions | 8,712,943 |
| Certificates of deposit | 2,774,442 |
| Cash and cash equivalents with fiscal agent | 2,205,712 |
| Total | $ 13,722,358 |

***NOTE 5 – CASH AND INVESTMENTS, (CONTINUED)***

*Policies and Practices*

VVTA is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations as specified in Section 53600. VVTA does not have a formal policy for investments that is more restrictive than the noted Government Code.

Investments of cash within the new facility project and accompanying funds held by the lease trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. VVTA does not have a formal policy related to its investments interest rate risk.

Information about the sensitivity of the fair value of VVTA's investments to market interest rate fluctuations is provided by the following table shows the distribution of the investments by maturity:

| | | Remaining Maturity (in Months) |
|---|---|---|
| Investment Type | Total | 12 Months Or Less |
| Investments held by Authority: | | |
| Certificates of Deposit | $ 2,774,442 | $ 2,774,442 |

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Holdings held by the trustee are insured by the trust agreement. VVTA does not have a formal policy related to its investments credit risk. Presented below is the minimum rating required by (where applicable) the California Government Code and the actual rating as of year-end for each investment type.

| Investment Type | Total | Minimum Rating | Not Rated or Not Applicable |
|---|---|---|---|
| Held by Authority | | | |
| Certificates of Deposit | $ 2,774,442 | N/A | $ 2,774,442 |

***NOTE 5 – CASH AND INVESTMENTS, (CONTINUED)***

*Custodial Credit Risk - Deposits*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, VVTA 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. VVTA does not have a policy of custodial credit risk for deposits. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that a financial institution secure deposits made by state or local government 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2018, VVTA holds cash deposits with Desert Community Bank $11,237,385 in excess of FDIC insurance limits. These amounts are collateralized by securities held by the bank.

*Fair Value Hierarchy*

VVTA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Various inputs are used in determining the value of VVTA's investments and other financial instruments. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. These inputs are summarized in the three broad levels: Level 1 - quoted prices in active markets for identical investments, Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.) and Level 3 - significant unobservable inputs (including VVTA's own assumptions in determining the fair value of investments).

The fair value of the certificates of deposits is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

### *NOTE 6 – CAPITAL ASSETS*

Capital asset activity for the fiscal years ended June 30, 2018, is as follows:

| | Beginning Balance July 1, 2017 | Additions | Retirements | Ending Balance June 30, 2018 |
|---|---|---|---|---|
| Non-depreciable assets | | | | |
| Land-Hesperia Facility | $ 1,500,000 | $ - | $ - | $ 1,500,000 |
| Land-Barstow Facility | 193,350 | - | - | 193,350 |
| Construction in progress | 236,056 | 750,019 | - | 986,075 |
| Total assets, not depreciated | 1,929,406 | 750,019 | - | 2,679,425 |
| Depreciable assets | | | | |
| Bus Facility-Hesperia | 51,277,555 | 37,460 | - | 51,315,015 |
| Bus Facility-Barstow | 697,235 | 5,128 | - | 702,363 |
| Operations equipment | 34,751,519 | 6,772,954 | (2,156,936) | 39,367,537 |
| Furniture and office equipment | 2,670,043 | 34,038 | (27,243) | 2,676,838 |
| Total depreciated assets | 89,396,352 | 6,849,580 | (2,184,179) | 94,061,753 |
| Accumulated depreciation | | | | |
| Bus Facility-Hesperia | (5,582,512) | (1,281,606) | - | (6,864,118) |
| Bus Facility-Barstow | (59,467) | (69,724) | - | (129,191) |
| Operations equipment | (19,891,675) | (3,237,636) | 2,154,164 | (20,975,147) |
| Furniture and office equipment | (2,640,391) | - | 27,243 | (2,613,148) |
| Subtotal accumulated depreciation | (28,174,045) | (4,588,966) | 2,181,407 | (30,581,604) |
| Net depreciable assets | 61,222,307 | 2,260,614 | (2,772) | 63,480,149 |
| Total capital assets, net | $ 63,151,713 | $ 3,010,633 | $ (2,772) | $ 66,159,574 |

### *NOTE 7 – RISK MANAGEMENT*

VVTA is a member of the Public Entity Risk Management Authority (PERMA), a joint powers insurance authority formed under Section 990 of the California Government Code for the purpose of jointly funding programs of insurance coverage for its members. PERMA is comprised of thirty-two participating member agencies: twenty-two cities, four transit agencies and six special districts. VVTA participates in the general liability, property, and business auto physical damage programs of PERMA.

The liability program provides coverage up to $50 million per occurrence for personal injury, bodily injury, property damage and public officials' errors and omissions. VVTA participates in risk sharing pools for losses of up to $1 million followed by PERMA's membership in the CSAC Excess Insurance Agency (EIA) for $49 million excess liability coverage.

The property insurance program is group purchased under a master property insurance policy with accumulated values from all participants effecting lower rates and broader coverage for members. The program covers real property, business personal property, inland marine coverage for special mobile equipment and business interruption. Commercial property coverage is written on a replacement cost basis, eliminating the traditional commercial "named peril" policy.

### *NOTE 7 – RISK MANAGEMENT, (CONTINUED)*

The business auto physical damage insurance program is also group purchased under a master insurance policy with accumulated values from all participants effecting lower rates for members. Business auto physical damage is written on an agreed amount basis.

VVTA has not had any settlements that exceeded coverage within the last three (3) years and there have been no significant changes in insurance policies or coverage amounts.

### *NOTE 8 – COMMITMENTS*

VVTA has a 7-year contract with their service provider for operations, Transdev Services Inc. The contract includes services for the Fixed Routes, Demand Response, and commuter routes for Fort Irwin, and County connector routes. This contract is due to expire September 30, 2018. The Authority has awarded a new five (5) year contract to National Express Transit set to commence October 1, 2018.

VVTA currently contracts through ADA Ride for its ADA eligibility certification process. This contract provides ADA certifications for all disabled transit riders seeking transportation services within ADA guidelines. The current contract was established in 2008 and was renewed on July 20, 2015 for a three year period. There are two (2) one-year extension periods that could be added by mutual agreement of the parties.

### *NOTE 9 – LONG-TERM LIABILITIES*

The following is a summary of the changes in the principal balance of long-term liabilities for the year ended June 30, 2018:

| | Balance at June 30, 2017 | Additions | Deletions | Balance at June 30, 2018 | Due within One year | Due beyond One year |
|---|---|---|---|---|---|---|
| Governmental activities: | | | | | | |
| 2016 Refunding Lease | $ 21,375,000 | $ - | $ (565,000) | $ 20,810,000 | $ 590,000 | $ 20,220,000 |
| Premium | 3,086,844 | - | (146,993) | 2,939,851 | 146,993 | 2,792,858 |
| Total Long-Term Liabilities | $ 24,461,844 | $ - | $ (711,993) | $ 23,749,851 | $ 736,993 | $ 23,012,858 |

Certificates of Participation

In 2016, VVTA sold certificates of participation in the amount of $23,300,000 to refund the 2007 Lease/Trust Agreement Certificates of Participation. As a result, the 2007 Lease/Trust Agreement Certificates of Participation were retired and the liability for those bonds has been removed from the Statement of Net Position. Proceeds were used to continue to finance the construction of the transit facility located in Hesperia, California. Proceeds were also used to pay delivery costs of the certificates.

Certificates began maturing on July 1, 2016 with semi-annual interest payments due January 1 and July 1 at various interest rates from 2.00 to 5.00 percent. Principal payments are due annually, July 1 at various amounts from $550,000 to $4,335,000. The final principal payment of the certificates is scheduled for July 1, 2037.

### *NOTE 9 – LONG-TERM LIABILITIES, (CONTINUED)*

As part of the refunding, VVTA pledged farebox revenues as collateral for the issuance. Additionally, debt service payments were to be made from all legally available revenues, including farebox revenues, Federal Transit Assistance Funds, Local Transportation Funds, and State Transit Assistance Funds.

The future lease payment requirements for the refunding are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 590,000 | $ 947,900 | $ 1,537,900 |
| 2020 | 615,000 | 924,300 | 1,539,300 |
| 2021 | 645,000 | 893,550 | 1,538,550 |
| 2022 | 675,000 | 861,300 | 1,536,300 |
| 2023 | 710,000 | 827,550 | 1,537,550 |
| 2024-2028 | 4,135,000 | 2,935,950 | 7,070,950 |
| 2029-2033 | 5,265,000 | 3,057,050 | 8,322,050 |
| 2033-2037 | 8,175,000 | 910,450 | 9,085,450 |
| Total | $ 20,810,000 | $ 11,358,050 | $ 32,168,050 |

### *NOTE 10 – COMPENSATED ABSENCES*

Accumulated unpaid personal leave consisting of vacation pay, has been accrued at June 30, 2018 in the amount of $110,509. VVTA's liability for compensated absences is typically liquidated within one year.

### *NOTE 11 – EMPLOYEES' RETIREMENT PLAN*

*Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool and a miscellaneous risk pool. Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. VVTA sponsors two tiers within the miscellaneous plans. Benefit provisions under the Plan are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

***NOTE 11 – EMPLOYEES' RETIREMENT PLAN, (CONTINUED)***

*Benefits Provided*

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

| | Miscellaneous | |
|---|---|---|
| | Classic | New Member |
| Hire Date | Prior to January 1, 2013 | On or After January 1, 2013 |
| Formula | 2.7% @ 55 | 2% @ 62 |
| Benefit Vesting Schedule | 5 Years of Service | 5 Years of Service |
| Benefit Payments | Monthly for Life | Monthly for Life |
| Retirement Age | 55 | 62 |
| Monthly Benefits, as a % of Annual Salary | 2.7% | 2% |
| Required Employee Contribution Rates | 8% | 6.25% |
| Required Employer Contribution Rates | 11.049% | 6.533% |

*Contributions*

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on July 1 following the notice of change in 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. VVTA is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. During the year, VVTA paid 3-percent of the employee contribution rate for classic members, which are classified as employee contributions. Employer contributions to the pension plan were $137,899 for the year ended June 30, 2018.

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

As of June 30, 2018, VVTA reported a liability of $179,958 for its proportionate share of the collective net pension liability.

VVTA's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017. VVTA's net pension liability for the Plan was measured as the total pension liability, less the pension plan's fiduciary net position.

***NOTE 11 – EMPLOYEES' RETIREMENT PLAN, (CONTINUED)***

VVTA's proportionate share of the net pension liability, measured as of June 30, 2016 and 2017, is as follows:

| | | |
|---|---|---|
| Proportion- June 30, 2017 | 0.00159 | % |
| Proportion- June 30, 2018 | 0.00181 | % |
| Change- Increase (Decrease) | 0.00022 | % |

For the year ended June 30, 2018, VVTA recognized pension expense of $199,561. At June 30, 2018, VVTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 5,542 |
| Changes in assumptions | 47,661 | - |
| Net difference between projected and actual earnings on pension plan investments | 11,669 | - |
| Difference between VVTA's contributions and proportionate share of contributions | 114,960 | - |
| Change in Employer's Proportion | 158,436 | 34,142 |
| Contributions subsequent to the measurement date | 137,899 | - |
| Total | $ 470,625 | $ 39,684 |

The amount of $137,899 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | |
|---|---|
| 2019 | $ 152,887 |
| 2020 | 84,475 |
| 2021 | 62,609 |
| 2022 | (6,929) |
| Total | $ 293,042 |

### *NOTE 11 – EMPLOYEES' RETIREMENT PLAN, (CONTINUED)*

*Actuarial Assumptions*

The June 30, 2016 actuarial valuation was rolled forward to determine the June 30, 2017 total pension liability, based on the following actuarial methods and assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | 3.3%-14.2% (1) |
| Mortality | Derived using CalPERS' Membership data |

(1) Depending on age, service, and type of employment

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the experience study can be found on the CalPERS website.

*Change of Assumption*

The discount rate of 7.15 percent used for the June 30, 2017 measurement date was decreased from 7.65 percent used for the June 30, 2016 measurement date.

*Discount rate*

The discount rate used to measure the total pension liability 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 the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and employee rates. Based on those assumptions, each pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***NOTE 11 – EMPLOYEES' RETIREMENT PLAN, (CONTINUED)***

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the fund. The expected rate of return was set by calculating the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for the Plan. These geometric rates of return are net of administrative expenses and are summarized in the following table:

| Asset Class | Target Allocation | Real Rate of Return Years 1-10 | Real Rate of Return Years 11+ |
|---|---|---|---|
| Global Equity | 47% | 4.90% | 5.38% |
| Global Fixed Income | 19% | 0.80% | 2.27% |
| Inflation Sensitive | 6% | 0.60% | 1.39% |
| Private Equity | 12% | 6.60% | 6.63% |
| Real Estate | 11% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3% | 3.90% | 5.36% |
| Liquidity | 2% | -0.40% | -0.90% |
| Total | 100% | | |

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following presents VVTA's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what VVTA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous |
|---|---|
| 1% Decrease | 6.15% |
| Net Pension Liability | $ 350,032 |
| | |
| Current Discount Rate | 7.15% |
| Net Pension Liability | $ 179,958 |
| | |
| 1% Increase | 8.15% |
| Net Pension Liability | $ 39,101 |

*Pension Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

### *NOTE 12 – DEFERRED COMPENSATION PLAN*

VVTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan, available to all non-represented VVTA employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

VVTA has adopted the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code 457 Deferred Compensation Plans.* Management believes that VVTA has no fiduciary role under the plan, and plan funds are not available to VVTA's general creditors. Accordingly, VVTA has not reported plan assets in the accompanying financial statements.

### *NOTE 13 – SUBSEQUENT EVENT*

On November 5, 2018, the Authority working in partnership with the California Transit Finance Corporation completed the debt sale of Certificates of Participation in the par amount of $10,475,000 to finance the construction of a new Bus Maintenance Facility on its property in Barstow, California. The debt payment schedule is set for thirty (30) years ending in 2048 with an average annual debt service payment of $640,000. The total amount of debt payments will be $18,581,173. The Authority has pledged its fare box revenues as collateral against the debt. The Authority expects to complete the construction during its FY19-20.

## REQUIRED SUPPLEMENTARY INFORMATION

# VICTOR VALLEY TRANSIT AUTHORITY
# (A JOINT POWERS AUTHORITY)

## SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## LAST TEN YEARS*
## AS OF THE YEAR ENDED JUNE 30, 2018

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Proportion of the collective net pension liability | 0.00181% | 0.00159% | 0.00177% | 0.00244% |
| Proportionate share of the collective net pension liability | $ 179,958 | $ 137,916 | $ 121,552 | $ 151,936 |
| Covered payroll | $ 1,253,046 | $ 1,039,065 | $ 902,643 | $ 690,387 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 14.36% | 13.27% | 13.47% | 22.01% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.31% | 74.06% | 78.40% | 79.82% |

**Note to Schedule:**

*Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore, only four years are shown.

**VICTOR VALLEY TRANSIT AUTHORITY**
**(A JOINT POWERS AUTHORITY)**

**SCHEDULE OF CONTRIBUTIONS**
**LAST TEN YEARS***
**AS OF THE YEAR ENDED JUNE 30, 2018**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Actuarially determined contributions - Miscellaneous | $ 137,899 | $ 118,569 | $ 97,561 | $ 142,248 |
| Contributions in relation to the actuarially determined contribution | 137,899 | 118,569 | 97,561 | 142,248 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - |
| Covered payroll | $ 1,517,121 | $ 1,253,046 | $ 1,039,065 | $ 902,643 |
| Contributions as a percentage of covered payroll | 9.09% | 9.46% | 9.39% | 15.76% |

* - Fiscal year 2015 was the first year of implementation, therefore, only four years are shown.