

VICTOR VALLEY TRANSIT AUTHORITY

AGENDA MATTER

**VVTA Annual Financial Audit Report for Fiscal Year Ending June 30, 2021
Completed by EideBaily CPAs and Business Advisors.**

SUMMARY STATEMENT

VVTA received its audited Annual Financial Report for fiscal year ending June 30, 2021, along with the required Single Audit for Federal Award Programs. In management's opinion it was an "exemplary" audit. There were no audit findings, no material misstatements, and no management recommendations were noted. VVTA was found to be materially in compliance with GAAP (Generally Accepted Accounting Principles), and Government Uniform Guidance standards and all other related codified rules. VVTA received an "unmodified" opinion and qualified as low-risk auditee.

HIGHLIGHTS

- ❑ **Net Position:** Overall Net Position increased \$3,988,316 and was largely impacted by a net investment in capital assets and restricted capital assets of \$2,868,228 as well as an increase in Unrestricted Net Position of \$3,251,800. These changes are explained in detail in this analysis.
- ❑ The value of the Authority's capital assets (net of deletions and depreciation) increased by \$1,648,158 or 2%. This increase was caused by investment in new assets of \$18,389,215, the new assets include \$11M the Barstow New Facility, offset by depreciation and asset retirement costs totaling \$16,741,057. This increase in depreciable asset value also had a significant impact on the overall ending net position as explained later in this discussion.
- ❑ Operating Expenses increased 15% compared to last year operating expenses, due to the reduced service that was implemented last year in respond to the pandemic and work from home rules, the operating expenses also impacted by the increase of the market fuel prices and the full year of new contractor rates; last year it was only three quarters.

RECOMMENDED ACTION

Receive and file.

PRESENTED BY	FISCAL IMPACT	MEETING DATE	ITEM NUMBER
Maged Azer CFO	N/A	March 21, 2022	

VICTOR VALLEY TRANSIT AUTHORITY

AGENDA MATTER

VVTA Annual Financial Audit Report for Fiscal Year Ending June 30, 2021 Completed by EideBailly CPAs and Business Advisors.

- ❑ Program revenues: Passenger Fares decreased by 45% or \$1,185,813, when compared to the prior year. This decrease is due to COVID-19 impact of education remotely and work from home, last year COVID Impact was only for four months (March 2020 to June 2020).
- ❑ Other program revenues for FY20/21 totaled \$2,607,163 representing decrease of \$258,480 when compared to the prior year. This decrease was largely due to the decrease of the CNG gas station sales and the decrease of selling LCFS credits. Program revenues contributed by Federal increased by \$1,158,496 due to the support of COVID-19 CARES ACT Federal Funds for Operating Expenses.
- ❑ Capital revenues contributed by Federal, State and Local agencies totaled \$8,648,439 which was an increase of \$752,148 compared with last year. 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 FY20/21.
- ❑ Total revenues decreased by 9.1% from \$42,806,105 in FY 19/20 to \$38,922,940 in FY20/21 largely due to the decrease of the passengers' fare revenue, plus the decrease of Other Program Revenues as mentioned above.
- ❑ Total expenses including depreciation and interest, for the fiscal year totaled \$34,934,642 represents an increase of \$3,301,546 or 10.4% when compared to the prior fiscal year. This was impacted by the increase in operating expenses of \$3,201,863 due the increase of fuel market prices and the implementation of the new contractor rates as mentioned above. Also last year operating expenses was less as VVTA reduced operating service in the last quarter of the FY19/20. Furthermore, there was a slight increase in General and Administrative costs of \$73,055 due to the upgrades of IT software and equipment to support the telework. and the depreciation expenses increased by \$64,425 due to the increase in the Authority Capital Assets.
- ❑ Cash and equivalents at end of year were \$22,938,411. Of this amount, \$14,537,671 is available for operating accounts payable, as well as the balances restricted by grant agreements or governing body policy to be used on specific capital projects including the purchasing of rolling stock, capital improvements, repairs, and equipment for the Authority's facility.

VICTOR VALLEY TRANSIT AUTHORITY

AGENDA MATTER

**VVTA Annual Financial Audit Report for Fiscal Year Ending June 30, 2021
Completed by EideBailly CPAs and Business Advisors.**

Included in this cash position is \$2,868,228 which is restricted by a debt agreement in connection with the 2016 COP which funded construction of the Authority's Hesperia facility and 2018 COP funded the construction of the new facility in Barstow, \$754,276 in Prop 1B funds and \$1,315,482 in LCTOP funds and \$635,483 in SGR of which are restricted by grant agreements for certain capital projects, and \$5,532,512 restricted by the Authority's Governing Board for specific capital projects.



Basic Financial Statements
June 30, 2021

Victor Valley Transit Authority
(A Joint Powers Authority)

Victor Valley Transit Authority

Table of Contents

June 30, 2021

Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	17
Required Supplementary Information	
Schedule of the Authority’s Proportionate Share of the Net Pension Liability.....	36
Schedule of Contributions.....	37



Independent Auditor's 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, 2021, 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.

Auditor's 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 Auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021, and the 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, schedule of the Authority's proportionate share of the net pension liability and the schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2022, 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 the Authority'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 the Authority's internal control over financial reporting and compliance.



Rancho Cucamonga, California
February 25, 2022

Victor Valley Transit Authority
Management's Discussion and Analysis
June 30, 2021

This discussion and analysis of the Victor Valley Transit Authority's (Authority) financial performance for the fiscal year ended June 30, 2021, 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, 2021. 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 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.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

HIGHLIGHTS

- **Net Position**: Overall Net Position for Fiscal Year 2020 – 2021 is \$72,799,470 and was largely impacted by a net investment in capital assets of \$51,429,870 and restricted assets of \$2,868,228 as well as Unrestricted Net Position of \$18,501,372. These changes are explained in detail in this analysis.
- The value of the Authority's capital assets (net of deletions and depreciation) increased by \$1,648,158 or 2%. This increase was caused by investment in new assets of \$18,389,215 offset by depreciation and asset retirement costs totaling \$16,741,057. 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 the new Operations and Maintenance contract with the contractor Keolis that started October 1st, 2020. The new Contractor's rates were higher compared to the rate for the prior contract. This increase is consistent with the transit service required by the Authority to provide the highest quality transportation services and reflects the need for private contractors to pay bus operators a living wage. Additionally, FY 20/21 shows significant increase in the fuel expenses due to the increase of the fuel market prices countrywide.
- **Program revenues**: Passenger Fares decreased by 45% or \$1,185,813, when compared to the prior year. This decrease is due to COVID-19 pandemic impact, Passengers numbers decreased due to the telework and closing schools. **Other program revenues** for FY20/21 totaled \$2,607,163 representing a decrease of \$258,480 when compared to the prior year. This decrease is due to the decrease of the LCFS Credits Revenue, plus the decrease of the market bank interest rates due to the pandemic. Federal Grants for operating increased by \$1,158,496 due to the support of COVID-19 CARES ACT Federal Funds for Operating Expenses. No local match is required for the Federal CARES ACT Funds.
- **Capital revenues** contributed by Federal, State and Local agencies totaled \$8,648,439 which was an increase of \$752,148 compared with last year. 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 FY20/21.
- **Total revenues** Decreased by 9.1% from \$42,806,105 in FY 19/20 to \$38,922,940 in FY20/21 largely due to the decrease of the State and Local Grants – Operating plus the decrease of Other Program Revenues as mentioned above.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

- Total expenses including depreciation and interest, for the fiscal year totaled \$34,934,624 represents decrease of \$3,301,546 or 10.4% when compared to the prior fiscal year. This was impacted by an increase in operating expenses of \$3,201,863 due to the new Operations and Maintenance contract that started October 1st, 2020, plus the increase of the fuel market prices as mentioned above. Furthermore, there was a slight increase in General and Administrative costs of \$73,055 most of which were due to the required equipment and services required to support telework expenses.
- Cash and equivalents at end of year were \$22,938,411. Of this amount, \$20,070,183 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, capital improvements, repairs, and equipment for the Authority's facilities.

Included in this cash position is \$2,868,228 which is restricted by a debt agreement in connection with the 2016 COP which funded construction of the Authority's Hesperia facility and 2018 COP for the construction of the new facility in Barstow, \$754,276 in Prop 1B funds and \$1,315,477 in LCTOP funds, plus \$635,482 in State of Good Repair SGR funds these funds are restricted by grant agreements for certain capital projects, and \$5,556,254 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 FY20/21 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 FY20/21 was \$265,609 or 0.7% 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.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

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

	<u>30-Jun</u>		<u>Dollar</u> <u>Change</u>	<u>Percentage</u> <u>Change</u>
	<u>2021</u>	<u>2020</u>		
Current Assets	\$29,056,691	\$27,193,632	\$ 1,863,059	6.9%
Capital assets (net)	\$82,335,383	\$80,687,225	\$ 1,648,158	2.0%
Total Assets	<u>\$111,392,074</u>	<u>\$107,880,857</u>	<u>\$ 3,511,217</u>	3.3%
Deferred Outflows (pensions)	\$384,931	\$373,591	\$ 11,340	
Deferred Outflows (refunding)	\$929,724	\$987,831	\$ (58,107)	
Total Assets & Deferred Outflows	<u>\$112,706,729</u>	<u>\$109,242,279</u>	<u>\$ 3,464,450</u>	3.2%
Current Liabilities	\$8,840,849	\$8,217,620	\$ 623,229	
Non-Current Liabilities	\$30,798,907	\$31,996,565	\$ (1,197,658)	
Net Pension Liability	\$265,609	\$208,643	\$ 56,966	0.7%
Total Liabilities	<u>\$39,905,365</u>	<u>\$40,422,828</u>	<u>\$ (517,463)</u>	-1.3%
Deferred Inflows (pension)	\$1,894	\$8,297	\$ (6,403)	N/A
Net Position				
Net investment in capital assets	\$51,429,870	\$48,838,491	\$ 2,591,379	
Restricted for Debt Service	\$2,868,228	\$4,723,091	\$ (1,854,863)	
Unrestricted	<u>\$18,501,372</u>	<u>\$15,249,572</u>	<u>\$ 3,251,800</u>	
Total Net Position	<u>\$72,799,470</u>	<u>\$68,811,154</u>	<u>\$ 3,988,316</u>	5.8%
Total Liabilities, Deferred Inflows & Net Position	<u>\$112,706,729</u>	<u>\$109,242,279</u>	<u>\$ 3,464,450</u>	3.2%

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

Table A-1 shows the Authority's total net position increased from \$68,811,154 in FY19/20 to \$72,799,470 in FY20/21 or 5% because of the year's activities and as explained further in this report.

- **Current assets** increased by \$1,863,059 or 6.9%. The increase is mainly due to the increase of the Cash and Investments-Board Reserved are set aside by the Authority's Board of Directors for future capital projects. The increase to these funds in FY21 were derived from the sale of LCFS credits and CNG Credits.
- **Total Capital Assets (net of depreciation) increased by \$1,648,158.** 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 2% as compared to the prior year.

	FY2021	FY2020
Land	\$1,693,350	\$1,693,350
Construction in Process	556,888	9,818,152
Total Non-Depreciable	2,250,238	11,511,502
Property & Equipment	80,085,145	69,175,723
Total Capital Assets (net)	\$82,335,383	\$80,687,225

The ending balance of \$556,888 in the Construction in Progress account is for the new transfer Center in Hesperia and the LCNG Station Upgrade in Barstow.

Investment of \$18,389,215 in Property and Equipment was for the completion of the new Transit Facility in Barstow, purchased capital assets of six (6) El Dorado EZ-Riders used in Fixed Route operations, two (2) new 40' Eldorado Axess buses used in Fixed Route operations, seven (7) new services vehicles used to provide driver relief and supervisory support to the transit system, one (1) Braunability Entrevan for donation. There was also the installation of the new battery storage, a new demand response system, and ChargePoint bus chargers needed to accommodate the BEB buses. Additionally, there were bus stop improvements with new and replacement bus shelters and solar lighting, facility improvements, maintenance equipment, and computer equipment to support the Authority's transit facilities in Hesperia and Barstow, California.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

- **Total Liabilities slightly decreased by \$517,463** when compared to FY19/20 due the decrease of the Accounts Payables plus the decrease in the Unearned Revenue, offset with the increase of the Accrued Expenses.
- **Net position – Net Investment in capital assets in the amount of \$51,429,870.** This 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 \$2,868,228 is restricted, \$2.9M for debt service on a long-term lease arrangement maturing in 2037.** These funds are reserved as required by finance lease documents 2016 COP and 2018 COP 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 agreements mature in 2037.
- **Net position in the amount of \$18,501,372 is unrestricted.** Unrestricted net position, is the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

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 Position

Revenues	<u>30-Jun</u>		<u>Dollar</u>	<u>Percentage</u>
Program Revenues (operating):	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>Change</u>
Charges for Services (Fares)	\$1,433,178	\$2,618,991	(1,185,813)	-45%
Federal Grants-Operating	\$9,817,701	\$8,659,205	1,158,496	13%
State and Local Grants-Operating	\$16,416,459	\$20,765,975	(4,349,516)	
Other Revenues	\$2,607,163	\$2,865,643	(258,480)	
Capital Revenues:				
Federal Grants	\$4,677,520	\$5,944,993	(1,267,473)	
State and Local Grants	<u>\$3,970,919</u>	<u>\$1,951,298</u>	<u>2,019,621</u>	
Total Revenues	<u>\$38,922,940</u>	<u>\$42,806,105</u>	<u>(3,883,165)</u>	-9.1%
Program Expenses				
Operations	\$24,074,955	\$20,873,092	3,201,863	15%
General and Administration	\$3,638,459	\$3,565,404	73,055	
Depreciation	\$5,984,099	\$5,919,674	64,425	
Capital Expenses:				
Capital Interest Expense:	\$1,237,111	\$1,274,908	(37,797)	
Contributed Capital	\$0	\$0	0	
Loss on Disposal of Assets	\$0	\$0	0	
Total Expenses	<u>\$34,934,624</u>	<u>\$31,633,078</u>	<u>3,301,546</u>	10.4%
Changes in net position	<u>\$3,988,316</u>	<u>\$11,173,027</u>	<u>(7,184,711)</u>	
Net Position - Beginning of year	\$68,811,154	\$57,638,127	\$11,173,027	19%
Net Position - End of year	\$72,799,470	\$68,811,154	\$3,988,316	5.8%

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

As shown on Table A-2, **Fare Revenues** decreased by \$1,185,813 or 45% in FY 20/21. This decrease is due to COVID-19 pandemic impact, passenger numbers decreased due to Telework and closing schools

Program revenues to support operations received from Federal increased by \$1,158,496 or 13% as compared to the prior year. The Federal operating grants increased due to the Federal COVID-19 CARES ACT Funds that were received to support the operating expenses.

Other program revenues for FY20/21 totaled \$2,607,163, decreased by \$258,480 when compared to the prior year, this decrease is due to recording the RINS Credits as unearned revenue to be used in future years, plus the decrease of the market bank income interest rates due to the pandemic.

Capital revenues contributed by Federal, State and Local agencies totaled \$8,648,439, increased by \$752,148. 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 FY20/21 which are detailed in this report's discussion of "Net Position".

Total revenues decreased by 9.1% from \$42,806,105 in FY 19-20 to \$38,922,940 in FY20/21, mainly due to the decrease of the Local operating Funds plus the decrease in Fare Revenue and other Revenues as mentioned above.

Program expenses shows an increase in operating expenses of \$3,201,863 or 15% due to the new Operations and Maintenance contract that started October 1st, 2020, plus the increase of the fuel market prices as mentioned above. The General and Administration Expenses shows a slight increase of \$73,055 or 2%. Depreciation expense increased \$64,425 or 1% due to the increase in the investment in capital assets as mentioned above.

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 projects such as Hydrogen fueling station infrastructure to support the plan for transitioning rolling stock to Hydrogen Fueled Battery Electric. Additionally, 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 **\$72,799,470**, more than last year by \$3,988,316.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

Some specific activities that have led to the Authority's financial condition as of June 30, 2021, include:

- This fiscal year, the authority invested \$18.39 million in new capital asset acquisitions including \$11.15 million for the new Transit Facility in Barstow plus 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 for expansion, innovation, technology upgrades and maintenance of its existing services. Capital asset investment in FY20/21 is forecasted to remain strong from investment in new Revenue rolling stock including Battery Electric Buses, as well as continued capital investments in its facilities.
- The Authority continued its extensive program for increasing the number of Battery Electric Buses, bus shelters, benches, solar lights, and other passenger amenities. This program of bus stop improvements will continue into the next fiscal year. Also continuing into the next fiscal year is the infrastructure needed to support VVTA's battery electric buses and hydrogen fuel stations plus the new transfer hub in Hesperia.
- In June 2015, the Authority was designated as a Consolidated Transportation Services Agency (CTSA) for the High and 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 FY20/21 and despite the COVID-19 pandemic, the Authority continued to maintain and support these programs and expanded these services by adding the Trip Brokerage Program.
- The Authority continued to invest in its Vanpool program operated under the management of its CTSA Division and the direction of the COO. This program provides support for residents of the Authority's service area who must commute out of the service area for work as well as for those commuting into our service area for employment. 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 which continues to generate additional federal apportionment funding. These additional Federal funds are used for capital and operating support and expansion of VVTA's other transportation services. During the pandemic year the Authority has continued and maintained its commitment to the Vanpool program in FY20/21 with further plans to market and grow the program.

Victor Valley Transit Authority

Management's Discussion and Analysis

June 30, 2021

- FY 20/21 was the final year of a three-year contract for natural gas supply with BP Energy. As such, the Authority has engaged in an agreement with Trillium CNG to replace BP effective October 1st, 2020. This natural gas is used to create Compressed Natural Gas (CNG) fuel for the Authority's fleet of vehicles. The contract with Trillium has now provided the Authority with a source of renewable natural gas (RNG), which has resulted in substantial reductions in greenhouse emissions. Additionally, the Authority generated \$480K in LCFS credits plus \$249K of RINS Credits as a direct result of the RNG sourcing. The Authority will continue to source this valuable and environmentally friendly fuel in FY21/22.
- 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, its' member jurisdictions, and its investors while providing the highest quality 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. Maged Azer, CFO at: Victor Valley Transit Authority, 17150 Smoke Tree St., Hesperia, California 92345.

Victor Valley Transit Authority
Statement of Net Position
June 30, 2021

Assets

Current Assets

Cash	\$ 14,537,671
Cash and investments with fiscal agent - restricted	2,868,228
Cash and investments - Board reserved	5,532,512
Receivables	
Federal, State, and other local grants	5,151,739
Other	140,546
Prepaid expenses	802,274
Fuel inventory	23,721
Total current assets	<u>29,056,691</u>

Capital Assets

Non-depreciable	2,250,238
Depreciable	118,443,027
Accumulated depreciation	<u>(38,357,882)</u>
Capital assets, net	<u>82,335,383</u>
Total assets	<u>111,392,074</u>

Deferred Outflows of Resources

Deferred amounts related to pensions	384,931
Deferred amounts related to debt refunding	<u>929,724</u>
Total deferred outflows of resources	<u>1,314,655</u>

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	4,093,603
Unearned revenues	3,458,063
Compensated absences	252,853
Long-term liabilities - due within one year	<u>1,036,330</u>
Total current liabilities	<u>8,840,849</u>

Noncurrent Liabilities

Long-term liabilities - due in more than one year	30,798,907
Net pension liability	<u>265,609</u>
Total liabilities	<u>39,905,365</u>

Deferred Inflows of Resources

Deferred amounts related to pensions	<u>1,894</u>
--------------------------------------	--------------

Net Position

Net investment in capital assets	51,429,870
Restricted for	
Debt service	2,868,228
Unrestricted	<u>18,501,372</u>
Total net position	<u>\$ 72,799,470</u>

Victor Valley Transit Authority
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2021

Operating Revenues	
Fares	\$ 1,423,428
Special transit fares	9,750
Total operating revenues	1,433,178
Operating Expenses	
Operations	24,074,955
General and administration	3,638,459
Depreciation	5,984,099
Total operating expenses	33,697,513
Operating Loss	(32,264,335)
Non-Operating Revenues and Expenses	
Operating Assistance	
Federal Transit Administration Section 5307, operating	8,320,000
Federal Transit Administration Section 5311	1,481,542
Federal Transit Administration Section 5316	5,224
Federal Transit Administration Section 5317	10,935
Local Transportation Fund, operating	14,685,049
Measure I	1,481,410
AB 2766	250,000
Gain on disposal of assets	53,116
Interest income	142,527
LCFS Credit Sales	480,126
State - LCTOP	270,395
Miscellaneous	410,872
CNG Credits	1,250,127
Interest expense	(1,237,111)
Total non-operating revenues and expenses	27,604,212
Income (Loss) Before Capital Contributions	(4,660,123)
Capital Contributions	
Federal Transit Administration Section 5307, capital	1,927,035
Federal Transit Administration Section 5339, capital	37,485
Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ)	2,713,000
Local Transportation Fund, capital	1,596,793
State Transit Assistance Fund	578,139
Proposition 1B	612,415
State of Good Repair	1,183,572
Total capital contributions	8,648,439
Change in Net Position	3,988,316
Net Position, Beginning of Year	68,811,154
Net Position, End of Year	\$ 72,799,470

Victor Valley Transit Authority
Statement of Cash Flows
Year Ended June 30, 2021

Operating Activities	
Cash received from fares	\$ 1,433,178
Payments to employees	(848,302)
Payments to vendors for services	<u>(26,307,505)</u>
Net Cash used in Operating Activities	<u>(25,722,629)</u>
Non-Capital Financing Activities	
Operating grants received	<u>34,408,317</u>
Capital and Related Financing Activities	
Capital grants received	8,042,751
Purchase of capital assets	(7,632,257)
Principal payments	(840,000)
Interest paid	(1,340,332)
Proceeds from disposal of capital assets	<u>53,116</u>
Net Cash used in Capital and Related Financing Activities	<u>(1,716,722)</u>
Investing Activities	
Interest received	<u>142,527</u>
Net Increase in Cash and Cash Equivalents	7,111,493
Cash and Cash Equivalents, Beginning of Year	<u>15,826,918</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,938,411</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position	
Cash	\$ 14,537,671
Cash and investments with fiscal agent	2,868,228
Cash and investments Board reserved	<u>5,532,512</u>
Total cash and cash equivalents	<u>\$ 22,938,411</u>

Reconciliation of Operating Loss to Net Cash used in Operating Activities

Operating Loss	<u>\$ (32,264,335)</u>
Adjustments to Reconcile Operating (Loss) to Net Cash used in Operating Activities	
Depreciation expense	5,984,099
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	224,744
Prepaid expenses	(4,194)
Increase (decrease) in liabilities	
Accounts payable and accrued liabilities	147,488
Compensated absences	150,346
Net pension liability	56,966
Change in deferred outflows of resources	(11,340)
Change in deferred inflows of resources	<u>(6,403)</u>
Total adjustments	<u>6,541,706</u>
Net Cash used in Operating Activities	<u><u>\$ (25,722,629)</u></u>

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, and Yermo, 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, 2021, the balance held with fiscal agent pursuant to this agreement was \$2,868,228.

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.

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, 2021, was \$23,721.

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

Building 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.

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.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. VVTA reports deferred inflows related to pensions.

New GASB Pronouncements

Effective in Future Fiscal Years

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. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. VVTA has not determined the effect on the financial statements.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives 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 reporting periods beginning after December 15, 2020. VVTA has not determined the effect on the financial statements.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. VVTA has not determined the effect on the financial statements.

GASB Statement No. 92 – In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practices issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods beginning after June 15, 2022. VVTA has not determined the effect of this Statement.

GASB Statement No. 93 – In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The Statement is effective for reporting periods beginning after June 15, 2021. VVTA has not determined the effect of this Statement.

GASB Statement No. 94 – In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022. VVTA has not determined the effect of this Statement.

GASB Statement No. 96 – In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Statement is effective for reporting periods beginning after June 15, 2022. VVTA has not determined the effect of this Statement.

GASB Statement No. 97 – In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statement No.14 and No.84 and A Supersession of GASB Statement No. 32*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective for reporting periods beginning after June 15, 2021. Certain provisions were implemented during the fiscal year with an immaterial effect on VVTA. VVTA has not determined the remaining effect of this Statement.

GASB Statement No. 98- In October 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement established the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This Statement is effective for fiscal years ending after December 15, 2021. 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 \$115,808 in prior years. 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 accumulated unspent CNG tax credits totaling \$234,166. 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. VVTA also received \$1,250,127 of CNG credits during the year ended June 30, 2021. Since VVTA buses used Compressed Natural Gas CNG, and per the Taxpayer Certainly and Disaster Tax Relief Act of 2020, (Public Law 116-260) enacted on December 27, 2020 as part of the Consolidated Appropriations Act 2021, which extended the fuel tax (Excise Tax) credits through December 31, VVTA received \$1,250,127 of CNG Compressed Natural Gas Credits from the IRS during the year ended June 30, 2021.

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

Federal Assistance

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, 2021 was \$11,782,221.

Transportation Development Act

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.

The computation of unearned revenue as of June 30, 2021 is as follows:

	Operating Funds	Capital Funds	Total
Beginning Balance, July 1, 2020	\$ -	\$ 3,328,998	\$ 3,328,998
Gross Receipts			
Local Transportation Fund			
Article 3	-	23,703	23,703
Article 4	14,016,708	1,564,925	15,581,633
Federal Transportation Administration			
Section 5307	-	1,927,035	1,927,035
Section 5307 CARES ACT	8,320,000	-	8,320,000
Section 5311	737,302	-	737,302
Section 5311 CARES ACT	744,240	-	744,240
Section 5316	1,936	-	1,936
Section 5339	-	37,485	37,485
CMAQ	-	2,713,000	2,713,000
State Transportation Fund, Article 6.5	-	563,581	563,581
Measure I	1,345,807	-	1,345,807
AB2766	250,000	-	250,000
LCTOP	-	3,666	3,666
Prop 1B (PTMISEA/CTAF)	-	3,567	3,567
State of Good Repair	-	527,515	527,515
Fares	1,433,177	-	1,433,177
Total gross receipts	<u>26,849,170</u>	<u>7,364,477</u>	<u>34,213,647</u>
Operating Expenses, Less Depreciation	28,950,525	-	28,950,525
Capital Acquisitions	-	7,235,412	7,235,412
Receipts Over (Under) Expenses In Current Period	<u>(2,101,355)</u>	<u>129,065</u>	<u>(1,972,290)</u>
Amount Unearned at June 30, 2021	<u>\$ -</u>	<u>\$ 3,458,063</u>	<u>\$ 3,458,063</u>

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 persons, 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 for the elderly and handicapped service or a ratio of fare revenue to combined operating costs at least equal to 18-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.

Pursuant to Section 99405, VVTA was granted a fare ratio requirement of 18-percent by SBCTA in September 2017 however these requirements have been waived in the current year as a result of the ongoing COVID-19 pandemic.

The fare ratio as of June 30, 2021, is calculated as follows:

	Motor Bus Routes	Handicapped Demand Response	Total
Operating Expenses	\$ 30,858,582	\$ 4,076,042	\$ 34,934,624
Less: Depreciation	(5,202,696)	(781,403)	(5,984,099)
Less: Exemptions	(3,186,569)	-	(3,186,569)
Adjusted Operating Expenses	\$ 22,469,317	\$ 3,294,639	\$ 25,763,956
Fare Revenue	\$ 1,248,937	\$ 184,241	\$ 1,433,178
Fare Ratio	5.6%	5.6%	5.6%
Local Funds (Measure I) used by the operator to supplement fare box revenues to satisfy the fare ratio as permitted by section 99268.19	1,481,410	-	1,481,410
Adjusted Fare Revenue	\$ 2,730,347	\$ 184,241	\$ 2,914,588
Adjusted Fare Ratio	12.2%	5.6%	11.3%
Total fare ratio pursuant to P.U.C. Sections 99405(c) and 99268.4	18.0%	11.0%	18.0%

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
Unspent Prop 1B Funds as of July 1, 2020	\$ 1,363,123
Prop 1B funds interest earned fiscal year ended June 30, 2021	3,567
Prop 1B expenses incurred during fiscal year ended June 30, 2021	(612,414)
Unearned Balance, June 30, 2021	\$ 754,276

Low Carbon Transit Operations Program

The Low Carbon Transit Operations Program (LCTOP) provides funds for approved projects to support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. The unearned balance of LCTOP funds as of June 30, 2021, was \$1,315,447.

State of Good Repair

The State of Good Repair (SGR) program is a part of the Road Repair and Accountability Act of 2017, Senate Bill (SB) 1, signed by the Governor on April 28, 2017 in order to provide additional revenues for transit infrastructure repair and services improvements. These funds are to be made available for eligible transit maintenance, rehabilitation and capital projects. SGR cash receipts, cash disbursements, and unearned balance were as follows:

	SGR
Unspent SGR Funds as of July 1, 2020	\$ 1,291,539
SGR Funds funds received & interest earned during fiscal year ended June 30, 2021	527,515
SGR expenses incurred during fiscal year ended June 30, 2021	(1,183,571)
Unearned Balance, June 30, 2021	\$ 635,483

Note 5 - Cash and Investments

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

Cash	\$ 14,537,671
Cash and investments with fiscal agent - restricted	2,868,228
Cash and investments - Board reserved	<u>5,532,512</u>
Total	<u><u>\$ 22,938,411</u></u>

**Cash balance includes \$754,276 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:

Deposits with Financial Institutions	\$ 20,070,183
Cash and Cash Equivalents Held with Fiscal Agent	<u>2,868,228</u>
Total	<u><u>\$ 22,938,411</u></u>

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.

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.

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, 2021, VVTA holds cash deposits with Desert Community Bank \$19,887,349 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).

Note 6 - Capital Assets

Capital asset activity for the fiscal years ended June 30, 2021, is as follows:

	Beginning Balance July 01, 2020	Additions	Retirements	Ending Balance June 30, 2021
Non-depreciable Assets				
Land-Hesperia Facility	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Land-Barstow Facility	193,350	-	-	193,350
Construction in progress	9,818,152	1,495,694	(10,756,958)	556,888
Total assets, not depreciated	11,511,502	1,495,694	(10,756,958)	2,250,238
Depreciable Assets				
Bus Facility-Hesperia	51,355,450	202,273	-	51,557,723
Bus Facility-Barstow	702,363	11,153,803	-	11,856,166
Operations equipment	51,260,454	5,096,023	(5,231,565)	51,124,912
Furniture and office equipment	3,497,434	441,422	(34,630)	3,904,226
Total depreciated assets	106,815,701	16,893,521	(5,266,195)	118,443,027
Accumulated Depreciation				
Bus Facility-Hesperia	(9,433,860)	(1,360,140)	-	(10,794,000)
Bus Facility-Barstow	(270,107)	(283,735)	-	(553,842)
Operations equipment	(24,778,827)	(3,993,713)	5,231,565	(23,540,975)
Furniture and office equipment	(3,157,184)	(346,511)	34,630	(3,469,065)
Subtotal accumulated depreciation	(37,639,978)	(5,984,099)	5,266,195	(38,357,882)
Net depreciable assets	69,175,723	10,909,422	-	80,085,145
Total capital assets, net	\$ 80,687,225	\$ 12,405,116	\$ (10,756,958)	\$ 82,335,383

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.

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 5-year contract with their service provider for operations, National Express Transit. 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, 2023. During the year ended June 30, 2021, VVTA paid \$6,682,073 under this contract.

VVTA terminated the contract on September 30, 2020, and entered in a new 5-year contract with Keolis Transit Services to replace the terminated contract for five years, starting on October 1, 2020 through September 30, 2025. During the year ended June 30, 2021, VVTA paid \$13,091,260 to Keolis. Future contracted expenses under this Keolis agreement are as follows:

Year Ending June 30,	Amount
2022	\$ 23,600,819
2023	25,416,351
2024	27,089,242
2025	28,023,600
2026	7,052,630
Total	\$ 111,182,642

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 plus two one-year extension periods that are added by mutual agreement of the parties. During the year ended June 30, 2021, VVTA paid \$33,855 under this contract. The contract renewed from July 20, 2020 to July 30, 2023 with two 1-year options for extension. The maximum cost under this agreement is \$400,000 during the contract term, based on services provided each year.

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, 2021:

	Balance at July 01, 2020	Additions	Deletions	Balance at June 30, 2021	Due within One year	Due beyond One year
Governmental Activities						
2016 Refunding Lease	\$ 19,605,000	\$ -	\$ (645,000)	\$ 18,960,000	\$ 675,000	\$ 18,285,000
Premium on 2016 Refunding Lease	2,645,865	-	(146,991)	2,498,874	146,993	2,351,881
2018 Certificates of Participation	10,170,000	-	(195,000)	9,975,000	200,000	9,775,000
Premium on 2018 Certificates of Participation	415,700	-	(14,337)	401,363	14,337	387,026
Total long-term debt	\$ 32,836,565	\$ -	\$ (1,001,328)	\$ 31,835,237	\$ 1,036,330	\$ 30,798,907

Certificates of Participation - 2016

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 \$675,000 to \$4,335,000. The final principal payment of the certificates is scheduled for July 1, 2037.

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
2022	\$ 675,000	\$ 861,300	\$ 1,536,300
2023	710,000	827,550	1,537,550
2024	750,000	792,050	1,542,050
2025	785,000	754,550	1,539,550
2026	825,000	715,300	1,540,300
2027-2031	4,775,000	2,915,750	7,690,750
2032-2036	6,105,000	1,595,750	7,700,750
2037	4,335,000	130,050	4,465,050
Total	\$ 18,960,000	\$ 8,592,300	\$ 27,552,300

Certificates of Participation - 2018

In 2018, VVTA sold 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 \$18,163,050. The Authority has pledged its fare box revenues as collateral against the debt. In the event of default by VVTA under the Lease/Trust agreement, the Trustee has the right to exercise any remedy available under law or equity, including declaring all principal components of the unpaid lease payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificates from the immediately preceding Certificate Payment Date on which payment was made, to be immediately due and payable.

Certificates began maturing on July 1, 2019 with semi-annual interest payments due January 1 and July 1 at various interest rates from 4.00 to 5.00 percent. Principal payments are due annually, July 1 at various amounts from \$200,000 to \$615,000. The final principal payment of the certificates is scheduled for July 1, 2048. The future lease payment requirements for the refunding are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 200,000	\$ 438,650	\$ 638,650
2023	210,000	428,650	638,650
2024	225,000	418,150	643,150
2025	235,000	406,900	641,900
2026	245,000	395,150	640,150
2027-2031	1,430,000	1,778,500	3,208,500
2032-2036	1,820,000	1,383,750	3,203,750
2037-2041	1,770,000	1,019,400	2,789,400
2042-2046	2,635,000	565,800	3,200,800
2047-2048	<u>1,205,000</u>	<u>72,800</u>	<u>1,277,800</u>
Total	<u>\$ 9,975,000</u>	<u>\$ 6,907,750</u>	<u>\$ 16,882,750</u>

Note 10 - Compensated Absences

Accumulated unpaid personal leave consisting of vacation pay, has been accrued at June 30, 2021 in the amount of \$252,853. VVTA's liability for compensated absences is typically liquidated within one year. Compensated absences at the beginning of the year were \$102,507, with \$199,982 accrued by employees, and \$49,636 used by employees during the year. VVTA reports the entire balance within current liabilities, as they expect employees to use annually.

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.

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, 2021, 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%	6.75%
Required Employer Contribution Rates	13.515% plus \$20,518	7.732% plus \$4,337

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 \$213,449 for the year ended June 30, 2021.

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

As of June 30, 2021, VVTA reported a liability of \$265,609 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020. VVTA's net pension liability for the Plan was measured as the total pension liability, less the pension plan's fiduciary net position.

VVTA's proportionate share of the net pension liability, measured as of June 30, 2019 and 2020, is as follows:

Proportion- June 30, 2020	0.00204 %
Proportion- June 30, 2021	<u>0.00244 %</u>
Change- Increase (Decrease)	<u>0.00040 %</u>

For the year ended June 30, 2021, VVTA recognized pension expense of \$252,671. At June 30, 2021, VVTA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,688	\$ -
Changes in assumptions	-	1,894
Net difference between projected and actual earnings on pension plan investments	7,890	-
Difference between VVTA's contributions and proportionate share of contributions	98,218	-
Change in employer's proportion	51,686	-
Contributions subsequent to the measurement date	<u>213,449</u>	-
Total	<u>\$ 384,931</u>	<u>\$ 1,894</u>

The amount of \$213,449 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ 84,558
2023	56,640
2024	24,606
2025	<u>3,784</u>
Total	<u>\$ 169,588</u>

Actuarial Assumptions

The June 30, 2019 actuarial valuation was rolled forward to determine the June 30, 2019 total pension liability, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount rate	7.15%
Inflation	2.50%
Payroll Growth	2.75%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% ⁽¹⁾
Mortality	Derived using CalPERS' Membership data

⁽¹⁾ Net of pension plan investment, includes inflation

The underlying mortality assumption and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

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.

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 (1)	Target Allocation	Real Rate of Return Years 1 - 10 (2)	Real Rate of Return Years 11+ (3)
Global Equity	50%	4.80%	5.98%
Global Fixed Income	28%	1.00%	2.62%
Inflation Sensitive	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	<u>100%</u>		

- (1) In the System's comprehensive annual financial report, fixed income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities
- (2) An expected inflation of 2.00% used for this report
- (3) An expected inflation of 2.92% used for this report

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:

	<u>Miscellaneous</u>
1% Decrease Net Pension Liability	6.15% \$ 618,107
Current Discount Rate Net Pension Liability	7.15% \$ 265,609
1% Increase Net Pension Liability (Asset)	8.15% \$ (25,650)

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.



Required Supplementary Information
June 30, 2021

Victor Valley Transit Authority

Victor Valley Transit Authority

Schedule of the Authority's Proportionate Share of the Net Pension Liability Last Ten Years*

Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Proportion of the collective net pension liability	0.00244%	0.00204%	0.00169%	0.00181%	0.00159%	0.00177%	0.00244%
Proportionate share of the collective net pension liability	\$ 265,609	\$ 208,643	\$ 162,489	\$ 179,958	\$ 137,916	\$ 121,552	\$ 151,936
Covered payroll	\$ 1,800,825	\$ 1,800,825	\$ 1,517,121	\$ 1,253,046	\$ 1,039,065	\$ 902,643	\$ 690,387
Proportionate share of the net pension liability as a percentage of covered payroll	14.75%	11.59%	10.71%	14.36%	13.27%	13.47%	22.01%
Plan fiduciary net position as a percentage of the total pension liability	77.71%	77.73%	77.69%	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 seven years are shown.

Changes of Assumption

The discount rate changed from 7.5 percent used for the June 30, 2014 measurement date to 7.65 percent used for the June 30, 2015 measurement date.
The discount rate changed from 7.65 percent used for the June 30, 2016 measurement date to 7.15 percent used for the June 30, 2017 measurement date.

Victor Valley Transit Authority
 Schedule of Contributions
 Last Ten Years*
 Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions - Miscellaneous Contributions in relation to the actuarially determined contribution	\$ 213,449	\$ 156,614	\$ 166,440	\$ 137,899	\$ 118,569	\$ 97,561	\$ 142,248
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,854,850	\$ 1,800,825	\$ 1,800,825	\$ 1,517,121	\$ 1,253,046	\$ 1,039,065	\$ 902,643
Contributions as a percentage of covered payroll	11.51%	8.70%	9.24%	9.09%	9.46%	9.39%	15.76%

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



Federal Awards Reports in Accordance
with the Uniform Guidance
Fiscal Year Ended June 30, 2021

Victor Valley Transit Authority
(A Joint Powers Authority)

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> , the Transportation Development Act and California Government Code §8879.50	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	
Section I - Summary Schedule of Auditor’s Results.....	8
Section II - Financial Statement Findings	9
Section III - Federal Award Findings and Questioned Costs.....	10
Summary Schedule of Prior Audit Findings.....	11



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, the Transportation Development Act and California Government Code §8879.50

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

We have audited, 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, the financial statements of the Victor Valley Transit Authority (Authority) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the entity's 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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Title 21 of the *California Code of Regulations* and the allocation instructions of the San Bernardino County Transportation Authority, and *California Government Code 8879.50 et seq.*, noncompliance with which could have a direct and material effect on the financial statements. 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*, Section 6667 of Title 21 of the *California Code of Regulations*, or the *California Government Code §8879.50 et seq.*

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
February 25, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the Victor Valley Transit Authority’s (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2021. The Authority’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 the Authority’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 the Authority’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 the Authority’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Authority 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 the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 the Authority'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 financial statements of the Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated February 25, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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 financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Rancho Cucamonga, California
February 25, 2022

Victor Valley Transit Authority
Schedule of Expenditures of Federal Awards
Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Grant/Pass Through Entity's Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Direct Grants			
Federal Transit Cluster			
Federal Transit Formula Grants, Section 5307	20.507	CA-2018-105-00	\$ 2,713,000
Federal Transit Formula Grants, Section 5307	20.507	CA-2017-092-00	30,993
Federal Transit Formula Grants, Section 5307	20.507	CA-2018-105-00	420,597
Federal Transit Formula Grants, Section 5307	20.507	CA-2020-237-00	244,605
Federal Transit Formula Grants, Section 5307	20.507	CA-2021-025-00	1,230,840
COVID-19 Federal Transit Formula Grants, Section 5307	20.507	CA-2020-198-00	<u>8,320,000</u>
Subtotal CFDA 20.507			<u>12,960,035</u>
Bus & Bus Facilities Formula Program, Section 5339	20.526	CA-2020-237-00	15,303
Bus & Bus Facilities Formula Program, Section 5339	20.526	CA-2019-102-00	<u>22,182</u>
Subtotal CFDA 20.526			<u>37,485</u>
Total federal transit cluster			<u>12,997,520</u>
Transit Services Programs Cluster			
Job access reverse commute, section 5316	20.516	CA-37-X178	5,224
Federal Transportation Administration New Freedom Program, Section 5317	20.521	CA-57-X091	<u>10,935</u>
Total transit services program cluster			<u>16,159</u>
Passed Through California Department of Transportation			
COVID-19 Formula Grants for Rural Areas, Section 5311	20.509	64V020-01355	744,240
COVID-19 Formula Grants for Rural Areas, Section 5311	20.509	64B021-01746	<u>737,302</u>
Total formula grants for rural areas - CFDA 20.509			<u>1,481,542</u>
Total expenditures of federal awards			<u><u>\$ 14,495,221</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Victor Valley Transit Authority (Authority) under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation 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 operation of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Authority has not elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditors’ report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/CFDA Number</u>
---	---

Federal Transit Cluster	20.507, 20.526
-------------------------	----------------

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
--	-----------

Auditee qualified as low-risk auditee?	Yes
--	-----

Section II – Financial Statement Findings

None identified.

Section III – Federal Award Findings and Questioned Costs

None identified.

None identified.