



**Antelope Valley Transit Authority
Report on Schedule of Expenditures of the
Proposition A Discretionary Incentive Grant**

For the Year Ended June 30, 2019

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Proposition A Discretionary Incentive Grant**

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FINANCIAL SECTION

Report of Independent Auditors

To the Board of Directors of the Antelope Valley Transit Authority and the Los Angeles County Metropolitan Transportation Authority

Report on the Schedule

We have audited the accompanying schedule of expenditures (Schedule) as defined by the Proposition A Discretionary Incentive Grant Program Guidelines and the Memorandum of Understanding for Sub-Regional Paratransit Services (Contract Number 910000000PA5AVTA) (MOU.PA5AVTA) dated July 1, 2016 between Antelope Valley Transit Authority (AVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor, for the year ended June 30, 2019, and the related notes to the Schedule.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the Proposition A Discretionary Incentive Grant Program Guidelines and MOU.PA5AVTA; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the Schedule 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 Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedule, 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 Schedule 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 Schedule.



Opinion

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of AVTA for the year ended June 30, 2019, in accordance with the financial reporting provisions of the Proposition A Discretionary Incentive Grant Program Guidelines and MOU.PA5AVTA.

Basis of Accounting and Reporting

We draw attention to Notes 4 and 5, to the Schedule which describes the basis of accounting and reporting, including compliance requirements. The Schedule was prepared in accordance with contractual agreements and was tested for compliance with the MOU.PA5AVTA and the Proposition A Discretionary Incentive Grant Program Guidelines.

As discussed in Note 2, the Schedule presents only the expenditures towards the Proposition A Discretionary Incentive Grant under MOU.PA5AVTA, and does not purport to, and does not present fairly the financial position of AVTA as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on AVTA's Schedule as a whole. The supplementary information contained in the Summary Schedule of Revenues Received from LACMTA is presented for purposes of additional analysis and is not a required part of the Schedule.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Schedule. Such information has been subjected to the auditing procedures applied in the audit of the Schedule and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Schedule or to the Schedule itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the Schedule as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019 on our consideration of AVTA's internal control over the preparation of the Schedule 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 the preparation of the Schedule and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over the preparation of the Schedule or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AVTA's internal control over the preparation of the Schedule and compliance.

**Glendale, California
November 20, 2019**

**Antelope Valley Transit Authority
 Proposition A Discretionary Incentive Grant
 Schedule of Expenditures
 Year ended June 30, 2019**

<u>Brief Description</u>	<u>Reported Expenditures</u>	<u>Adjustments</u>	<u>Audited Expenditures</u>
Total Expenditures - Identified as Net Operating Costs	\$ 1,852,793	\$ -	\$ 1,852,793
Proposition A Discretionary Incentive Guidelines maximum % that can be received by Grantee	<u> x 25%</u>	<u> x 25%</u>	<u> x 25%</u>
Grantee's Proposition A Discretionary Incentive Grant (Limitation) *	\$ <u>463,198</u>	\$ <u>-</u>	\$ <u>463,198</u>

* Grantee's amount earned is limited to 25% of net operating costs or 25% of Annual Fundmark as determined on a quarterly basis.

See report of independent auditors and notes to the schedule of expenditures.

**Antelope Valley Transit Authority
Proposition A Discretionary Incentive Grant
Supplementary Information
Summary Schedule of Revenues Received from LACMTA
Year ended June 30, 2019**

Proposition A Discretionary Incentive Grant

Annual Fundmark established by Grantor (Note 3)	\$ <u>399,700</u>
A) Grantee's Actual amount received from LACMTA for the fiscal year ended June 30, 2019*	\$ <u>399,700</u>

Proposition A Discretionary Incentive Grant Limitation Calculation:

<u>Brief Description</u>	<u>Reported Expenditures</u>	<u>Adjustments</u>	<u>Audited Expenditures</u>
Total Expenditures - Identified as Net Operating Costs - Fiscal year ended June 30, 2017 **	\$ 1,812,549	\$ -	\$ 1,812,549
Proposition A Discretionary Incentive Grant Program Guidelines maximum % that can be received by Grantee	<u>x 25%</u>	<u>x 25%</u>	<u>x 25%</u>
B) Grantee's Proposition A Discretionary Incentive Grant (Limitation)	\$ <u>453,137</u>	-	\$ <u>453,137</u>
Lesser of A) Actual amount received or B) 25% of Net Operating Costs ***			\$ <u>399,700</u>

* This is the amount of allocation received by AVTA during the fiscal year ended June 30, 2019.

** The amount of allocation received by AVTA during the fiscal year ended June 30, 2019 is based on expenditures reported for the fiscal year ended June 30, 2017. The operating expense calculation has a two-year lag, as permitted by LACMTA. Grantee contracts with IntelliRide to administer the operations of AVTA, which includes the Antelope Valley Dial-A-Ride Services program for the year ended June 30, 2017. Vasquez and Company LLP audited the Schedule of Expenditures of the Proposition A Discretionary Incentive Grant for the fiscal year ended June 30, 2017, whose report, dated December 21, 2017, expressed an unmodified opinion.

*** Grantee's billings to LACMTA are limited to the amount of the funding allocation or up to 25% of the total expenditures.

See report of independent auditors and notes to the schedule of expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Antelope Valley Transit Authority (AVTA) is located in Lancaster, California and was formed to provide and administer public transportation services in the Antelope Valley, including local passenger bus service, a commuter bus service, and a paratransit service.

AVTA is a public entity organized on July 1, 1992 pursuant to Section 6506 of the Government Code of the State of California. The formation of AVTA is as a joint powers authority (JPA) whose members consist of the County of Los Angeles, the City of Palmdale and the City of Lancaster. AVTA operates under a form of government, with the Board being comprised of two Directors appointed from each participating member.

Fund Accounting

The operations of the Proposition A Discretionary Incentive Grant are accounted for in a separate set of self-balancing accounts that comprise its revenues and expenditures.

Proposition A incentive program earmarks 5% of the 40% Proposition A Discretionary funds, which are distributed to eligible applicants based on funding priorities and subject to fund availability. The funds are used for varied transportation needs that encourage and develop an integrated transportation system.

Basis of Accounting

Expenditures are accounted for using the modified accrual basis of accounting. Expenditures are generally recognized when the related fund liabilities are incurred.

NOTE 2 SCHEDULE OF EXPENDITURES AND ANNUAL FINANCIAL STATEMENTS

The schedule of expenditures reflects only certain elements of the financial statements (expenditures) for AVTA's Proposition A Discretionary Incentive Grant, and does not purport to, and does not present fairly the AVTA's financial statements or total expenditures as of and for the year ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

NOTE 3 ANNUAL FUNDMARK

AVTA (Grantee) has been established and has met the eligibility criteria as a First Priority Applicant for being identified as a Sub-Regional paratransit participant and therefore is eligible to receive the Proposition A Discretionary Incentive Grant on a quarterly basis up to 25% of its net operating cost.

Each fiscal year, the Los Angeles County Metropolitan Authority (LACMTA) (grantor) will establish an "annual fundmark" for the Grantee's share of the Program Funds for the Sub-Regional Paratransit Program to the extent funds are available. As such, the grantor approved the annual allocation of \$399,700 in FY 2019.

NOTE 4 GENERAL AND ADMINISTRATIVE CONDITIONS

Memorandum of Understanding for Sub-Regional Paratransit Services

On July 1, 2016, the AVTA and the LACMTA entered into a Memorandum of Understanding for Sub-Regional Paratransit Services (MOU.PA5AVTA), which is effective through June 30, 2021.

In accordance with Article 2 of the MOU, the Grantee must abide by the following restrictions in the agreement.

- 1) Grantee shall use program funds to provide certain specialized transportation services known as the Antelope Valley Transit Authority Dial-A-Ride Paratransit program.
- 2) Grantee shall document coordination activities with existing transit services and with participating local governments. This documentation shall consist of executed agreements, joint resolutions, and/or approved implementation plans.
- 3) Grantee shall submit invoices quarterly requesting reimbursement. Grantor shall pay 25% of the reasonable and allowable costs not to exceed the annual allocation.

For the FY 2019/18 grantee received quarterly reimbursements totaling to \$399,700 which were committed to Grantee's Dial-A-Ride Paratransit Program.

NOTE 5 PROPOSITION A DISCRETIONARY INCENTIVE GRANT

Recording

Proposition A Discretionary Incentive Grant totaling to \$399,700 for the year ended June 30, 2019 was recorded under the Proposition A Discretionary Incentive Grant and was the only Proposition A Discretionary Incentive Grant received by AVTA.

Compliance

The incentive funds were used to supplement Proposition A and Proposition C operating expenses to pay for transit services operated by Veolia Transportation, Inc. (Veolia) and American Logistics Company (ALC) who also operated the Antelope Valley Transit Authority's Dial-A-Ride Program, which is an eligible project under the Proposition A Discretionary Incentive Grant Program Guidelines. Effective June 1, 2014, ALC transferred and assigned all of its rights, title and interest in the agreement to Veolia dba IntelliRide. IntelliRide operated transit services for fiscal year ended June 30, 2019.

NOTE 6 SUBSEQUENT EVENTS

The AVTA has evaluated subsequent events through November 20, 2019, the date the schedule of expenditures was available to be issued, and concluded no events have occurred that require disclosure or adjustment to the schedule of expenditures.

**Report of Independent Auditors 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***

**To the Board of Directors of the Antelope Valley Transit Authority
and the Los Angeles County Metropolitan Transportation Authority**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Schedule of Expenditures (Schedule) as defined by the Proposition A Discretionary Incentive Grant Program Guidelines and the Memorandum of Understanding for Sub-Regional Paratransit Services (Contract Number 910000000PA5AVTA) (MOU.PA5AVTA) dated July 1, 2016 between Antelope Valley Transit Authority (AVTA), as grantee, and the Los Angeles County Metropolitan Transportation Authority, as grantor, for the year ended June 30, 2019, and the related notes to the Schedule, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is intended 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 "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

**Glendale, California
November 20, 2019**

COMPLIANCE SECTION

Report of Independent Auditors on Compliance

**To the Board of Directors of the Antelope Valley Transit Authority
and the Los Angeles County Metropolitan Transportation Authority**

Report on Compliance

We have audited the compliance of the Antelope Valley Transit Authority (AVTA) with the Proposition A Discretionary Incentive Grant Program Guidelines and the Memorandum of Understanding for Sub-Regional Paratransit Services (MOU.PA5AVTA) dated July 1, 2016 (collectively, the Guidelines) for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for the AVTA's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on AVTA's compliance with the Guidelines based on our audit. 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 Guidelines referred to in the preceding paragraph. Those standards and the Guidelines 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 AVTA's compliance with the Guidelines occurred. An audit includes examining, on a test basis, evidence about AVTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. Our audit does not provide a legal determination of the AVTA's compliance with the Guidelines.

Opinion

In our opinion, the Antelope Valley Transit Authority complied, in all material respects, with the compliance requirements referred to above that apply to the Proposition A Discretionary Incentive Grant for the year ended June 30, 2019.



Report on Internal Control over Compliance

Management of the AVTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the AVTA's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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 AVTA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with the requirements, such that there is a reasonable possibility that material noncompliance 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 the requirements 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 Guidelines. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vagney & Company LLP".

Glendale, California
November 20, 2019

**Antelope Valley Transit Authority
Compliance Matrix
Year ended June 30, 2019**

Compliance Requirement		In Compliance			Questioned Costs	If no, provided details and management response
		Yes	No	N/A		
A. Proposition A Discretionary Incentive Grant						
1.	Memorandum of Understanding covers the period under audit.	X				
2.	Expenditures were used for projects in accordance with Contractual Agreement.	X				
3.	Joint Powers Authority - Governing Body has earmarked funds / committed funds.	X				
4.	Maintenance of effort more than 1/2 of allocated Proposition A Local Return Funds were spent or encumbered as of the year ending date.			X		AVTA did not receive any Local Return Funds.
5.	Grant did not exceed 25% of Total Operating Costs.	X				
B. Memorandum of Understanding						
1.	Amount received did not exceed Annual Fundmark.	X				
2.	Accounting records and documentation sufficient enough to prepare financial statements (schedule of expenditures).	X				
3.	Ability to demonstrate that funds were spent on operating subsidies. Received the lesser of 25% of Annual Fundmark or 25% of Dial-A-Ride net operating costs.	X				

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Antelope Valley Transit Authority
Schedule of Findings and Questioned Costs
Year ended June 30, 2019**

There were no findings noted.

EXIT CONFERENCE

**Antelope Valley Transit Authority
Proposition A Discretionary Incentive Grant
Exit Conference
Year ended June 30, 2019**

An exit conference was held on November 20, 2019 with the Antelope Valley Transit Authority (AVTA) representatives. Those in attendance were:

Vasquez and Company LLP representative:
Shweta Mehrotra – Audit Supervisor

AVTA representatives:
KJ Alcuran – Controller
Vianney McLaughlin – Staff Accountant II

Matters discussed:

Results of the audit disclosed no significant financial or compliance issues.

A copy of this report was forwarded to the following AVTA representatives for comments prior to the issuance of the final report.

KJ Alcuran – Controller
Vianney McLaughlin – Staff Accountant II



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