



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended
June 30, 2019 and 2018

WEST COVINA, CALIFORNIA

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Foothill Transit
Going Good Places

West Covina, California

Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2019 and 2018

FOOTHILL TRANSIT
(A JOINT POWERS AUTHORITY)

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RTD

480	Eastwood Center Parkway	15
490	University Blvd East Stops 1 & 2 (Downtown)	15
490	Armed Forces Bldg	15
498	Greenwood & E Highway	15





Foothill Transit
Going Good Places



INTRODUCTION

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EXECUTIVE BOARD MEMORANDUM

To: **Executive Board**

October 19, 2019

Subject: **2019 Fiscal Year 2018/2019 Comprehensive Annual Financial Report**

Enclosed is the Comprehensive Annual Financial Report of Foothill Transit for the fiscal year ended June 30, 2019. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Foothill Transit. To the best of management's knowledge and belief, the information presented is accurate in all material aspects and includes all disclosures necessary to enable the reader to gain an understanding of Foothill Transit's financial activities.

In addition to the financial audit, Foothill Transit is required to conduct an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditor's reports on internal control structure and compliance with applicable laws and regulations are included with this report.

Independent Audit. The accounting firm of Crowe LLP was selected to perform an annual independent audit of Foothill Transit's financial statements. The goal of the independent audit is to provide reasonable assurance that Foothill Transit's financial statements for the fiscal year ended June 30, 2019, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that Foothill Transit's financial statements for fiscal year ended June 30, 2019, are fairly presented in conformity with generally accepted accounting principles (GAAP). The audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related Uniform Guidance. The auditor's report on the basic financial statements and schedules, including reports specifically related to the single audit, are included in this document.

Management's Representations. This report consists of management representations concerning Foothill Transit's finances. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, Foothill Transit's management has established a comprehensive internal control framework designed to ensure that the assets of Foothill Transit are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefit likely to be derived; and (2) the valuation of the costs and benefits requires estimates and judgments by management. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Management’s Discussion and Analysis. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A that begins on page 4, and should be read in conjunction with it.

Reporting Entity. Foothill Transit, a joint powers authority of 22 cities and the County of Los Angeles, is a public transit provider located in the San Gabriel and Pomona Valleys in Los Angeles County. Foothill Transit operates a fleet of 384 buses transporting 12 million passengers with 12.3 million vehicle service miles. The entire fleet is equipped with bicycle racks and is wheelchair accessible and 100 percent of the buses are powered by either compressed natural gas (CNG) or electricity.

Foothill Transit’s investment transactions are conducted in conformance with internal investment policies and the State of California Government Code. The Executive Board has assigned the responsibility for investing to the Director of Finance and Treasurer.

The Governing Board approves the Business Plan and Budget by June 30th of each fiscal year. The approved budget establishes the legal level of appropriation. The budget includes operating and capital funding to implement the policy directions contained in the previously Board adopted plans such as the Short Range Transportation Plan (SRTP).

Local Economy. Foothill Transit provides service in the San Gabriel and Pomona Valleys located in Los Angeles County. LA County and its 88 cities represent a dynamic, multicultural economy with a diverse workforce and top universities and colleges throughout. According to the LA Economic Development Corporation (LAEDC) LA County is the entertainment, manufacturing, and international trade capital of the US. With nearly \$544 billion in annual output, LA County ranks among the world’s largest economies.

The transportation and trade industry is very extensive and is one of the prominent industries in LA County. International trade continues to play an important role in the economy. The San Pedro Bay ports of Los Angeles and Long Beach and Los Angeles International Airport are the largest container ports and the busiest air cargo terminals in the nation, respectively. Transportation improvements are focused on alleviating congestion problems and improving air quality in these important corridors. Over 160,000 LA County workers support this international trade center.

One of the biggest economic changes seen during the FY2018/2019 budget year was the increase in new and used car sales and leases. According to the California New Car Dealers Association, “The combination of very low fuel prices, high demand for light trucks and strong consumer affordability...” were the major reasons for the unprecedented increases. While indicators of strong economic growth, this change has led to decreased public transportation ridership. Transit agencies across the Southern California region are reporting decreased bus ridership.

The majority of Foothill Transit’s funding is provided from local sales taxes. Although there was a modest increase in sales tax collections during FY2018/2019, the budget was prepared with revenues, service, and fares at current levels to balance the budget. The prominent forecasters for LA County sales tax revenues (the Los Angeles Economic Development Corporation) are predicting 2-3% growth in sales tax revenues through 2021.

New capital acquisitions and/or construction projects and those carried forward from the previous

year, include park and ride parking structure(s), new replacement CNG buses and zero emission electric buses. The park and ride facilities will allow greater utilization of current bus service potentially increasing fare revenue. The purchase of replacement CNG buses will reduce operational expenses, and the zero emission electric buses will reduce maintenance costs and eliminate all emissions currently attributed to compressed natural gas buses. Sufficient funding (grants) have been dedicated for the completion of these projects.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Foothill Transit for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the thirteenth consecutive year that Foothill Transit has received this prestigious award. This certificate of award is the highest form of recognition for excellence in state and local government financial reporting.

In order to receive this award, Foothill Transit must publish an easily readable and well organized comprehensive financial report whose content conforms to the program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement for Excellence in Financial Reporting is valid for a one year period only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and are submitting it to determine eligibility for continued recognition.

Acknowledgments. The preparation of this report would not have been possible without the efficient and dedicated service of the entire Foothill Transit Team. We wish to express our sincere appreciation for the hard work and long hours that contributed to the preparation of this report. Appreciation is also extended to the Executive Board and the various team members for their cooperation and dedicated service that made it possible to produce a report of the highest standards.

Sincerely,


Michelle Lopes Caldwell
Director of Finance and Treasurer


Doran Barnes
Executive Director

FOOTHILL TRANSIT LEADERSHIP

GOVERNING BOARD

CLUSTER 1

Claremont

Mayor Corey Calaycay

Alternate: Councilmember Ed Reece

La Verne

Mayor Pro Term Charles A. Rosales

Alternate: Councilmember

Tim Hepburn

Pomona

Councilmember Robert S. Torres

Alternate: Mayor Tim Sandoval

San Dimas

Councilmember Emmett Badar

Alternate: Councilmember

John Ebner

Walnut

Mayor Andrew Rodriguez

Alternate: Councilmember Nancy

Tragarz

CLUSTER 4

El Monte

Councilmember Jessica Ancona

Alternate: Councilmember

Maria Romero Morales

Diamond Bar

Mayor Carol Herrera

Alternate: Councilmember

Nancy A. Lyons

Industry

Mayor Pro Tem Cory C. Moss

Alternate: Councilmember

Abraham N. Cruz

La Puente

Mayor Valerie Muñoz

Alternate: Councilmember

Violeta Lewis

South El Monte

Councilmember Hector Delgado

Alternate: Mayor Gloria Olmos

CLUSTER 2

Azusa

Councilmember Uriel Macias

Alternate: Mayor Pro Tem

Edward J. Alvarez

Baldwin Park

Councilmember Ricardo Pacheco

Alternate: Councilmember Paul C.

Hernandez

Covina

Councilmember Jorge A. Marquez

Alternate: Mayor John C. King

Glendora

Councilmember Gary Boyer

Alternate: Mayor Pro Tem Michael Allawos

Irwindale

Mayor Albert Ambriz

Alternate: Mayor Pro Tem Larry Burrola

West Covina

Mayor Pro Tem Tony Wu

Alternate: Councilmember

Dario Castellanos

CLUSTER 5

County of Los Angeles

Jimmy Lin

(Representing Supervisor

Janice Hahn)

Cynthia Sternquist

(Representing Supervisor

Kathryn Barger)

Sam Pedroza

(Representing Supervisor

Hilda Solis)

CLUSTER 3

Arcadia

Councilmember Roger Chandler

Alternate: Councilmember Tom Beck

Bradbury

Mayor Richard G. Barakat

Alternate: Councilmember

D. Montgomery Lewis

Duarte

Mayor Tzeitel Paras-Caracci

Alternate: Councilmember

Toney Lewis

Monrovia

Mayor Pro Tem Becky Shevlin

Alternate: VACANT

Pasadena

Councilmember Margaret McAustin

Alternate: Mayor Terry Tornek

Temple City

Mayor Nanette Fish

Alternate: Councilmember

William Man





EXECUTIVE BOARD

CHAIR

Carol Herrera
Cluster 4 - Diamond Bar

VICE CHAIR

Cynthia Sternquist
Cluster 5 - County of Los Angeles

BOARD MEMBER

Gary Boyer
Cluster 2 - Glendora

BOARD MEMBER

Richard Barakat
Cluster 3 - Bradbury

BOARD MEMBER

Corey Calaycay
Cluster 1 - Claremont

EXECUTIVE BOARD ALTERNATES

Cluster 1 - San Dimas

Emmett Badar

Cluster 2 - Irwindale

Albert Ambriz

Cluster 3 - Monrovia

Becky Shevlin

Cluster 4 - La Puente

Valerie Muñoz

Cluster 5 - County of Los Angeles

Jimmy Lin

SENIOR MANAGEMENT

Executive Director

Doran J. Barnes

Deputy Executive Director

Kevin Parks McDonald

Director of Customer Service and Operations

LaShawn King Gillespie

Director of Maintenance and Vehicle Technology

Roland Cordero

Director of Marketing and Communications

Felicia Friesema

Director of Information Technology

Donald Luey

Director of Procurement

Christopher Pieper

Director of Finance and Treasurer

Michelle Lopes Caldwell

Director of Planning

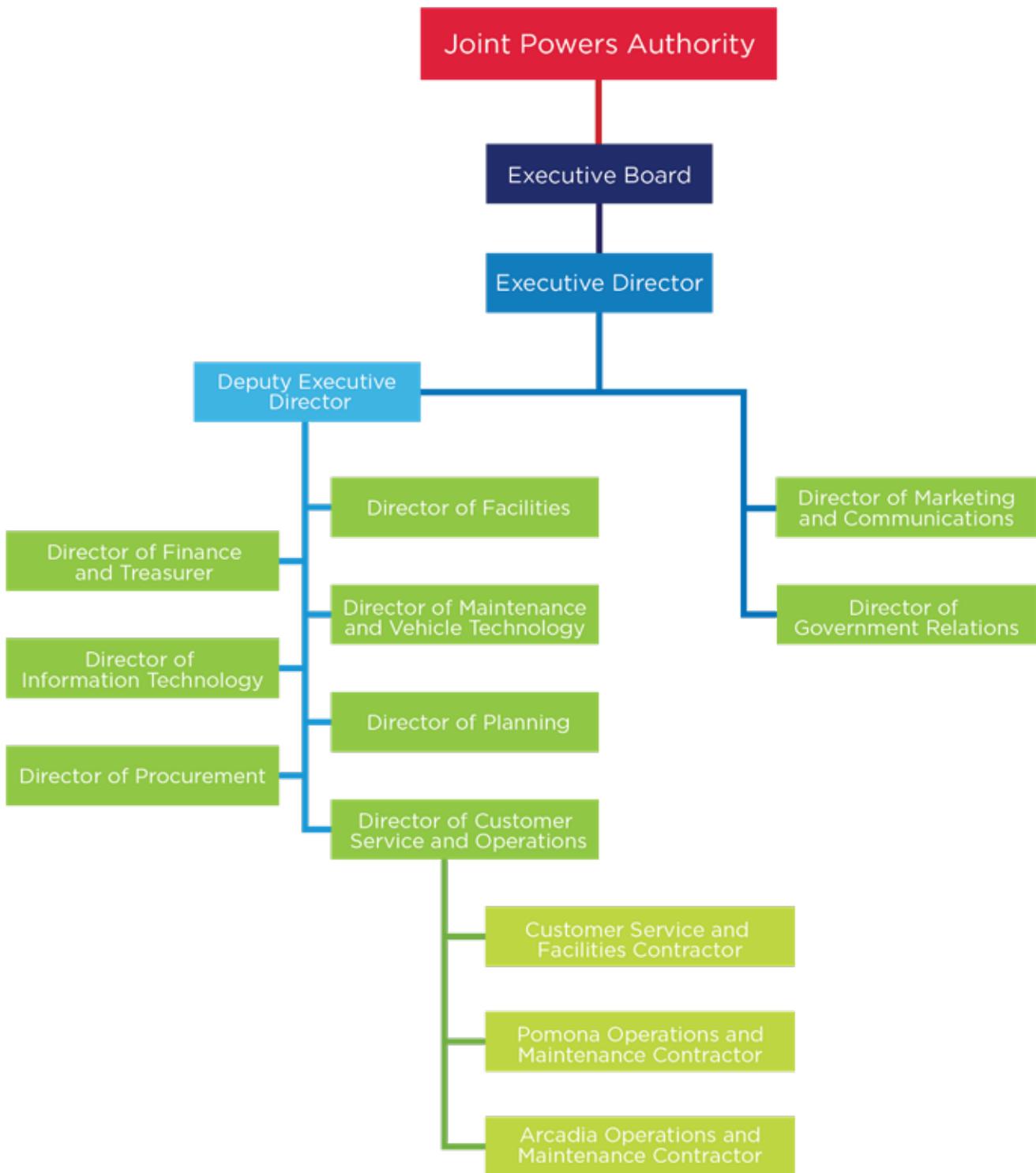
Joseph Raquel

Director of Facilities

Sharlane Bailey

Director of Government Relations

David Reyno





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Foothill Transit
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



2421

686 ROSE BOWL



Foothill Transit



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of Foothill Transit, A Joint Powers Authority (Foothill Transit) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Foothill Transit'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 audits. We conducted our audits 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 Foothill Transit as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows thereof for the years 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, 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 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.

Supplementary Information

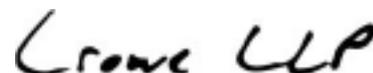
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Foothill Transit's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the introduction and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2019 on our consideration of Foothill Transit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Foothill Transit's internal control over financial reporting and compliance.


Crowe LLP

Los Angeles, California
October 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The following section of the annual financial report of Foothill Transit includes an overview and analysis of Foothill Transit's financial position and activities for the years ended June 30, 2019 and 2018. This discussion and analysis should be considered in conjunction with the basic financial statements which it accompanies. These statements are the responsibility of the management of Foothill Transit.

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Foothill Transit presents its basic financial statements using the economic resources measurement focus and accrual basis of accounting. As a special purpose government engaged in business-type activity, Foothill Transit's basic financial statements include Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. The notes to financial statements, supplementary information, and required supplementary information, including this section, support these statements. All sections must be considered together to obtain a complete understanding of the financial position and results of operations of Foothill Transit.

Statement of Net Position: The Statement of Net Position includes all assets and liabilities of Foothill Transit, with the difference between the two reported as net position. Assets and liabilities are reported on an accrual basis at cost or fair value, as applicable, as of June 30, 2019 and 2018. This statement also identifies major categories of restrictions on the net position of Foothill Transit.

Statement of Revenues, Expenses, and Changes in Net Position: The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred by Foothill Transit during the years ended June 30, 2019 and 2018, on an accrual basis.

Statement of Cash Flows: The Statement of Cash Flows presents the changes in Foothill Transit's cash and cash equivalents for the years ended June 30, 2019 and 2018, summarized by operating, capital and non-capital financing, and investing activities. The statement is prepared using the direct method of reporting cash flows and, therefore, presents gross rather than net amounts for the years' activities.

Foothill Transit's basic financial statements can be found on pages 10 through 12 of this report. The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 13 through 26 of this report.

FINANCIAL HIGHLIGHTS

- During fiscal year 2018-2019, Foothill Transit's net position increased \$14,541,118 (5.9%) from the previous year resulting primarily from the capital asset acquisitions of \$25,177,713 and disposals of \$9,381,780, exclusive of depreciation. The capital additions were funded by federal, state, and local grants.
- In fiscal year 2018-2019, operating expenses before depreciation increased \$3,602,221 (3.86%) over the previous year. This increase was attributed primarily to increases for purchased transportation and fuel costs.
- Foothill Transit's assets exceeded its liabilities at June 30, 2019, by \$261,751,298 (net position).

CONDENSED STATEMENT OF NET POSITION

	2019	2018	2017
Non-capital assets	\$ 112,104,942	\$ 113,012,748	\$ 111,152,490
Capital assets, net	224,058,977	212,589,926	210,916,174
Total assets	336,163,919	325,602,674	322,068,664
Current liabilities	12,138,484	14,958,907	10,831,166
Noncurrent liabilities	62,274,137	63,433,587	64,246,754
Total liabilities	74,412,621	78,392,494	75,077,920
Net position:			
Net investment in capital assets	224,058,977	210,364,476	210,142,128
Unrestricted:			
Board designated - capital projects	37,692,321	36,845,704	36,848,616
Total net position	\$ 261,751,298	\$ 247,210,180	\$ 246,990,744

See discussion below

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Foothill Transit's assets exceeded liabilities by \$261,751,298 as of June 30, 2019 and by \$247,210,180 as of June 30, 2018. Most of this is attributable to Foothill Transit's \$224,058,977 and \$210,364,476 net investment in capital assets (property, plant, and equipment) as of June 30, 2019 and 2018. Foothill Transit uses capital assets to provide transportation services; consequently, these assets are not available for future spending. These capital assets were procured with federal, state, and local grant funds. The remaining unrestricted net position at June 30, 2019 and 2018 totaled \$37,692,321 and \$36,845,704 representing amounts that are designated by the Board for future capital projects.

Foothill Transit's net position increased by \$14,541,118 during fiscal year 2018-2019 and by \$219,436 during fiscal year 2017-2018. These increases are primarily due to the addition of capital assets funded with capital grant revenues.

CONDENSED SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues - farebox and bus pass	\$ 16,079,596	\$ 16,343,392	\$ 16,082,346
Operating revenues - other	1,241,842	1,344,772	1,489,212
Operating grants	78,325,689	74,676,246	68,777,964
Other revenues (expenses)	4,503,405	(389,315)	4,070,709
Total revenues	<u>100,150,532</u>	<u>91,975,095</u>	<u>90,420,231</u>
Operating expenses:			
Operating expenses before depreciation	96,820,287	93,218,066	86,984,959
Depreciation	24,835,228	26,316,229	25,430,961
Total operating expenses	<u>121,655,515</u>	<u>119,534,295</u>	<u>112,415,920</u>
Loss before capital grants	<u>(21,504,983)</u>	<u>(27,559,200)</u>	<u>(21,995,689)</u>
Capital grants	<u>36,046,101</u>	<u>27,778,636</u>	<u>30,848,596</u>
Change in net position	<u>14,541,118</u>	<u>219,436</u>	<u>8,852,907</u>
Net position at beginning of year	<u>247,210,180</u>	<u>246,990,744</u>	<u>238,137,837</u>
Net position at end of year	<u>\$ 261,751,298</u>	<u>\$ 247,210,180</u>	<u>\$ 246,990,744</u>

REVENUES

Operating revenues in fiscal year 2019 decreased \$366,726 (2.07%) over 2018 and fiscal year 2018 operating revenues increased \$116,606 (0.66%) over 2017. The decrease in operating revenue is a result of decline in ridership. Operating grant revenues increased \$3,649,443 and capital grant revenues increased \$8,267,465 in fiscal year 2019. Operating grant revenues increased \$5,898,282 and capital grant revenues decreased \$3,069,960 in fiscal year 2018. These grant revenues subsidized Foothill Transit's operating and capital expenses.

Because Foothill Transit requires subsidies to fund operating and capital expenses in excess of operating revenues, any increases or decreases in unfunded expenses will also require an increase or decrease in related grant funding. Capital grant contributions in fiscal year 2019 resulted in the acquisition of 34 CNG buses, construction of the Covina Transit Center and bus repair and rehabilitation. The capital grant contributions in fiscal year 2018 were related to the acquisition of 14 electric buses, land acquisition for the Covina Transit Center, bus re-powering and repainting to reflect the Foothill Transit unique livery design and electric bus charging equipment.

OPERATING EXPENSES

Total operating expenses before depreciation increased \$3,602,221 (3.86%) in fiscal year 2019 and \$6,233,107 (7.17%) in fiscal year 2018. In fiscal year 2019, Purchased Transportation costs increased \$2,000,030 due to rate increases of operating contracts for both the Arcadia and Pomona Yards (see Note 7).

CAPITAL ASSETS

As of June 30, 2019, and 2018, Foothill Transit had \$224,058,977 and \$212,589,926 invested in capital assets (net of accumulated depreciation), respectively. This represents a 5.39% increase in fiscal year 2019 and a 0.79% increase in fiscal year 2018. These assets include land, facilities, transit buses, other operating equipment, vehicles, and furniture and fixtures identified below. Depreciation expense decreased \$1,481,001 in fiscal year 2019 and \$885,268 in fiscal year 2018, which is attributable to the age of the bus fleet.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$ 14,137,570	\$ 14,137,570	\$ 10,132,713
Construction in progress	21,269,476	10,142,910	4,971,739
Facilities	52,420,273	57,264,916	61,892,443
Transit buses	131,438,334	126,624,016	129,029,023
Other operating equipment	4,488,193	4,160,128	4,623,422
Vehicles	237,830	169,208	196,068
Furniture and fixtures	67,301	91,178	70,766
	<u>\$ 224,058,977</u>	<u>\$ 212,589,926</u>	<u>\$ 210,916,174</u>

All assets have been purchased with federal, state, or local grants awarded to Foothill Transit. Significant capital projects with activity during fiscal years 2019 and 2018 include the following:

Bus Fleet Replacement

Covina Transit Center

Bus Repair and Rehabilitation

More detailed information about Foothill Transit's capital assets can be found in Note 6 in the accompanying notes to financial statements.

LONG TERM DEBT

As of June 30, 2019, 2018, and 2017, Foothill Transit had no long-term debt.

FURTHER INFORMATION

This report has been designed to provide a general overview of Foothill Transit's financial condition and related issues. For those with an interest in Foothill Transit's finances, inquiries should be directed to the Director of Finance and Treasurer, 100 South Vincent Avenue, Suite 200, West Covina, CA 91790.

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION JUNE 30, 2019 AND 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 47,811,665	\$ 20,109,459
Due from other governmental agencies	11,589,643	7,491,444
Receivables	1,574,736	1,546,942
Interest receivable	178,192	72,740
Prepaid items	4,756,603	1,355,310
Total current assets	<u>65,910,839</u>	<u>30,575,895</u>
Noncurrent assets:		
Cash and cash equivalents	17,367,300	50,164,612
Restricted cash and cash equivalents	3,167,219	6,341,383
Investments	24,943,389	25,930,858
Note receivable	716,195	-
Capital assets - nondepreciable	35,407,046	24,280,480
Capital assets - depreciable	421,236,294	405,440,361
Less accumulated depreciation	<u>(232,584,363)</u>	<u>(217,130,915)</u>
Total noncurrent assets	<u>270,253,080</u>	<u>295,026,779</u>
 Total assets	 <u><u>\$ 336,163,919</u></u>	 <u><u>\$ 325,602,674</u></u>
 Liabilities and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,138,484	\$ 14,958,907
Noncurrent liabilities:		
Unearned revenue	<u>62,274,137</u>	<u>63,433,587</u>
Total liabilities	<u>74,412,621</u>	<u>78,392,494</u>
 Net position:		
Net investment in capital assets	221,655,610	210,364,476
Unrestricted	<u>40,095,688</u>	<u>36,845,704</u>
Total net position	<u>261,751,298</u>	<u>247,210,180</u>
 Total liabilities and net position	 <u><u>\$ 336,163,919</u></u>	 <u><u>\$ 325,602,674</u></u>

See notes to financial statements

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Farebox and bus pass	\$ 16,079,596	\$ 16,343,392
Special services	534,612	301,318
Dial-A-Ride	511,739	737,582
Other revenue	<u>195,491</u>	<u>305,872</u>
Total operating revenues	<u>17,321,438</u>	<u>17,688,164</u>
Operating expenses:		
Operating expenses before depreciation:		
Purchased Transportation	74,828,377	72,828,345
Fuel costs	7,100,807	5,682,454
Salary and Benefits	6,898,462	6,663,141
Special services	393,277	257,260
Dial-A-Ride	498,697	737,582
Professional services	3,477,230	3,238,546
Advertising	445,698	415,579
General and administrative	<u>3,177,739</u>	<u>3,395,159</u>
Operating expenses before depreciation	96,820,287	93,218,066
Depreciation expense	<u>24,835,228</u>	<u>26,316,229</u>
Total operating expenses	<u>121,655,515</u>	<u>119,534,295</u>
Operating loss	<u>(104,334,077)</u>	<u>(101,846,131)</u>
Operating Grants:	78,325,689	74,676,246
Non-operating revenues (expenses):		
Interest income	1,094,748	717,557
Change in fair value of investments	513,032	(547,040)
Property management income	7,083	61,935
Gain on disposal of assets	71,329	74,164
Excise tax refund	2,815,887	-
General Fund - Prop A Exchange	(1,650,000)	(1,500,000)
Other	<u>1,651,326</u>	<u>804,069</u>
Total non-operating revenues (expenses)	<u>4,503,405</u>	<u>(389,315)</u>
Total operating grants and non-operating revenues (expenses)	<u>82,829,094</u>	<u>74,286,931</u>
Loss before capital contributions	<u>(21,504,983)</u>	<u>(27,559,200)</u>
Capital contributions	<u>36,046,101</u>	<u>27,778,636</u>
Change in net position	14,541,118	219,436
Net position at beginning of year	<u>247,210,180</u>	<u>246,990,744</u>
Net position at end of year	<u>\$ 261,751,298</u>	<u>\$ 247,210,180</u>

See notes to financial statements

BASIC FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Receipts from customers	\$ 16,129,915	\$ 17,366,970
Payments for transit operations	(74,828,378)	(72,913,791)
Payments for fuel costs	(7,100,808)	(5,682,455)
Payments to employees	(6,763,756)	(6,583,368)
Payments to other vendors	(14,526,974)	(5,557,189)
Net cash from operating activities	<u>(87,090,001)</u>	<u>(73,369,833)</u>
Cash flows from non-capital financing activities:		
Operating grants received	77,927,778	72,577,911
Receipts for excise tax credit	2,815,887	2,852,756
Proceeds from Prop A exchange	550,000	500,000
Proceeds from other nonoperating revenue	1,651,326	804,069
Net cash from non-capital financing activities	<u>82,944,991</u>	<u>76,734,736</u>
Cash flows from capital and related financing activities:		
Receipts from capital grants	30,150,093	28,746,937
Payments for capital assets	(36,317,358)	(26,538,579)
Proceeds from sale of capital assets	71,329	74,168
Proceeds from rental property	7,080	61,935
Net cash from capital and related financing activities	<u>(6,088,856)</u>	<u>2,344,461</u>
Cash flows from investing activities:		
Purchase of investments	(1,963,659)	(1,232,898)
Proceeds from maturing investments	3,486,000	1,994,000
Investment earnings	442,255	679,731
Net cash from investing activities	<u>1,964,596</u>	<u>1,440,833</u>
Net increase in cash and cash equivalents	(8,269,270)	7,150,197
Cash and cash equivalents at beginning of year	<u>76,615,454</u>	<u>69,465,257</u>
Cash and cash equivalents at end of year	<u>\$ 68,346,184</u>	<u>\$ 76,615,454</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (104,334,077)	\$ (101,846,131)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	24,835,228	26,316,229
Changes in operating assets and liabilities:		
Change in operating receivables	(1,191,523)	(321,194)
Change in prepaid items	(3,401,293)	(308,154)
Change in operating accounts payable and accrued liabilities	(2,998,336)	2,789,417
Total adjustments	<u>17,244,076</u>	<u>28,476,298</u>
Net cash from operating activities	<u>\$ (87,090,001)</u>	<u>\$ (73,369,833)</u>
Non-cash investing and financing activities:		
Capital asset purchase in account payable	\$ 2,403,365	\$ 2,225,450
Capital grants included in due from other governmental agencies	\$ 2,581,328	\$ 1,829,651
Change in fair value of investments	\$ 513,032	\$ (547,040)

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1: ORGANIZATION

Foothill Transit was established in 1988 as a governmental entity under a joint exercise of powers agreement and currently includes 22 cities in the San Gabriel Valley and Pomona Valleys and the County of Los Angeles. Foothill Transit's governing board membership includes one city council member and one alternate from each of the 22 cities in Foothill Transit's service area as well as three appointed representatives for the County of Los Angeles. A five-member Executive Board governs Foothill Transit. Four elected officials representing four clusters of cities, and a fifth member elected by the appointed Los Angeles County representatives, comprise Foothill Transit's Executive Board. Through its independent service contractors, Foothill Transit operates a fleet of 384 buses from its Arcadia and Pomona, California facilities. Foothill Transit has been authorized by the Regional Transportation Planning Agency, the Los Angeles County Metropolitan Transportation Authority (LACMTA), to plan, operate, and contract for cost-effective public transit services.

Foothill Transit is a joint powers authority managed by a staff of transportation professionals with purchased transportation services provided by independent contractors. Substantially all insurable risks associated with Foothill Transit's operations are covered through these contracts. Foothill Transit is not considered to be a component unit of any other reporting entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accounting policies of Foothill Transit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. All of the activities are accounted for as an enterprise fund for financial reporting purposes. Enterprise funds are used to account for activities (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate or capital maintenance, public policy, management control, accountability, for other purposes.

Foothill Transit accounts for its activities using the economic resources measurement focus and the accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

b. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

c. Classification of Current and Noncurrent Assets and Liabilities

Foothill Transit considers assets to be current that can reasonably be expected, to be realized in cash or sold or consumed within a year. Current liabilities are obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities. All other assets and liabilities are classified as noncurrent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

d. Cash and Cash Equivalents

For the statement of cash flows, Foothill Transit considers cash, demand deposits, and investment pools to be cash and cash equivalents. All cash invested in the state investment pool Local Agency Investment Fund (LAIF), is reported at amortized cost. Cash may or may not be restricted as to use, depending upon the specific purposes for which such assets are held.

e. Investments

Foothill Transit reports investment securities and similar assets held for investment purposes at fair value. Changes in the fair value of investments are reported as net appreciation or decline in fair value of investments in the statements of revenues, expenses, and changes in net position.

f. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items and are expensed as utilized or incurred.

g. Capital Assets

Capital assets which include property, buses, vehicles, furniture and fixtures, and equipment are defined by Foothill Transit as assets with an initial value exceeding \$500 and having an estimated useful life of more than one year. Capital assets are valued at historical cost. Donated assets are valued at acquisition value at the date of donation. Foothill Transit did not receive any donated capital assets during fiscal years 2019 and 2018.

Capital assets are depreciated over their estimated useful lives using the straight-line method. The following estimated useful lives are used for Foothill Transit's capital assets:

Facility	20 to 31.5 years
Other improvements	3 to 7 years
Transit buses and Rehabilitation costs	6 to 14 years
Other operating equipment	3 to 9 years
Vehicles	5-7 years
Furniture and fixtures	7 years

h. Compensated Absences

All eligible employees, full and part-time, accrue paid time off (PTO) in accordance with the California Paid Sick Leave requirements. Part-time employees earn one hour of PTO for each 30 hours worked. Full-time employees earn PTO each pay period; the number of hours accrued are according to each employee's years of service. Unused PTO is available to be carried forward or cashed out annually according to the guidelines, and is paid out upon separation.

i. Unearned Revenue

Unearned revenue is composed entirely of TDA, Proposition 1B and LCTOP grant funds which Foothill Transit has received in advance for operations, capital acquisition, or construction but which have not been expended and, therefore, not earned at June 30, 2019 and 2018. A portion of these balances are restricted by the grantor for capital projects.

j. Net Position

Foothill Transit's net position is classified into the following categories:

1. Net Investment in Capital Assets

Capital assets, net of accumulated depreciation and outstanding principal balances of debt, and retainages and accounts payable attributable to the acquisition, construction, or improvement of those assets.

2. Restricted

Net position that has external constraints placed on it by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through contribution provision of enabling legislation.

3. Unrestricted

Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." Unlike the restricted net position, the Board has discretion in determining the use and establishing minimum/maximum balance requirements for the unrestricted cash and investment portion of net position. The Board may at any time change or eliminate amounts established for these purposes. Foothill Transit had unrestricted Board designated net position of \$40,095,688 and \$36,845,704 as of June 30, 2019 and 2018, representing amounts that are designated for future capital projects.

k. Net Position Flow Assumption

Sometimes Foothill Transit will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is Foothill Transit's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

l. Operating and Non-operating Grant Revenues and Expenses

Foothill Transit distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with Foothill Transit's principal ongoing operations. The principal operating revenues are passenger fares charged for transportation services, which are recognized at the time services are performed and revenues pass through fare systems. Operating expenses include the cost of transportation services, maintenance of capital assets and facilities, administrative expenses, and depreciation reported on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Operating assistance grants are included as non-operating revenues in the year in which a related reimbursable expense is incurred or in unearned revenue for use in a subsequent fiscal year.

During fiscal years 2019 and 2018, Foothill Transit exchanged general funds for Proposition A Local Return funds from the City of Covina. During fiscal year 2019, \$1,650,000 general funds were exchanged for \$2,200,000 Prop A funds, and in fiscal year 2018, \$1,500,000 general funds were exchanged for \$2,000,000 Prop A funds. All Prop A funds were allocated for transportation operations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foothill Transit's policy is to report revenue from capital grants separately after non-operating revenues as the related expenses are incurred. Assets acquired with capital grant funds are included in capital assets. Capital grant monies received prior to an expense being incurred are recorded as unearned revenue.

m. Grants and Subsidies

Grant and subsidy revenues are recorded when earned. Grant sources currently include Los Angeles County Propositions A and C, Measure R and Measure M, which are local sales tax initiatives passed by the voters of Los Angeles County and then granted out to Foothill Transit, State Local Transportation Funds (LTF) described below and Federal Transit Administration (FTA) capital assistance.

Foothill Transit receives grant funds from these various County, State, and Federal entities. Funds received from such entities are subject to certain required terms and conditions of the underlying grant agreements and are subject to audit by the grantor agencies. Amounts received under such grants and contractual agreements are subject to change based upon the results of such audits.

Transportation Development Act (TDA), including Low-Carbon Transit Operations Program (LCTOP), and State Transit Assistance (STA) funds are received for both operating and capital expenses. These funds are derived from the State Local Transportation Funds (LTF) and are allocated to Foothill Transit using the regionally adopted Formula Allocation Procedures. These funds can be used for capital and operating purposes, however Foothill Transit's goal is to use them to the extent possible as a local match on federally funded capital projects.

n. Non-Exchange Transactions

Foothill Transit recognizes all capital grants as capital contributions in the statements of revenues, expenses, and changes in net position.

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments at June 30, 2019 and 2018, were reported in the accompanying financial statements as follows:

	2019	2018
Cash and cash equivalents, current	\$ 47,811,665	\$ 20,109,459
Cash and cash equivalents, noncurrent	17,367,300	50,164,612
Restricted cash and cash equivalents, noncurrent	3,167,219	6,341,383
Investments	24,943,389	25,930,858
Cash, cash equivalents and investments	\$ 93,289,573	\$ 102,546,312

Deposits:

At June 30, 2019, the carrying amount of Foothill Transit's deposits was \$68,346,184 and the bank balance was \$68,848,209. The difference of \$502,025 represents outstanding checks and other reconciling items. At June 30, 2018, the carrying amount of Foothill Transit's deposits was \$76,615,454 and the bank balance was \$76,811,131. The difference of \$195,677 represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure the entity's deposits by pledging first trust deed mortgage notes having a value of 150% of the entity's total deposits. The Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department Of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments:

As a public agency, Foothill Transit's investment practices are prescribed by various provisions of the California Government Code and the Act, as well as by administrative policies. Foothill Transit's statement of investment policy is approved by the Board and describes the Treasurer's investment authority, practices, and limitations. The basic investment policy objectives, in order of importance, are safety of principal, liquidity, and return on investment.

Under provision of Foothill Transit's investment policy, and in accordance with the California Government Code, the following investments are authorized:

Checking Account Demand Deposits
Passbook Savings Account Demand Deposits
Money Market Mutual Funds
Local Agency Investment Fund (LAIF) Demand Deposits
Obligations of the U.S. Government, its agencies, and instrumentalities Federal Agency obligations
Municipal Securities (California cities and local agencies) rated "A" or better by Moody's or S&P
Certificates of deposit
Negotiable Certificates of Deposits, federally insured with the issuer
Banker's Acceptances, issued by domestic or foreign banks, which are eligible for purchases by the Federal Reserve System
Repurchase Agreements used solely for short-term investments not to exceed 30 days
Bonds issued by any city, county, or local agency in California or by the State of California

NOTE 3: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements:

The above investments do not address investment of debt proceeds held by a bond trustee. Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or Foothill Transit's investment policy.

Investments in State Investment Pool:

Foothill Transit is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The value of the position in the investment pool is the same as the value of the pool shares and is reported at amortized cost. LAIF is principally invested in obligations of federal government agencies, U.S. Treasury securities, certificates of deposit, and commercial paper. LAIF's fund manager considers the credit risk as minimal. LAIF is protected against fraudulent acts by the state's self-insurance program. At June 30, 2019 and 2018, Foothill Transit maintained \$30,676,197 and \$15,328,483 of cash equivalents in LAIF, respectively.

Credit Risk:

Foothill Transit's investment policy limits investments in municipal securities, negotiable certificates of deposits, and banker's acceptances to those rated "A" or better and repurchase agreements and bonds to those rated in the highest category by Moody's or S&P. As of June 30, 2019 and 2018, Foothill Transit's investments did not include these types of investments. Foothill Transit's investments in U.S. Government agencies were rated AAA by Moody's as of June 30, 2019 and 2018. Foothill Transit had no investments in certificates of deposit as of June 30, 2019 and the investments in certificates of deposit were not rated as of June 30, 2018. As of June 30, 2019 and 2018, Foothill Transit's investment in LAIF has not been rated by a nationally recognized statistical rating organization.

Custodial Credit Risk:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2019 and 2018, none of Foothill Transit's deposits or investments were exposed to custodial credit risk due to the requirement of the California Government Code to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling.

Concentration Risk:

Concentration risk is the risk associated with the magnitude of investment in any one issuer. As of June 30, 2019, more than five percent of Foothill Transit's investments were in Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, totaling \$18,961,650 and \$4,993,100, respectively. As of June 30, 2018, more than five percent of Foothill Transit's investments were in Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, totaling \$18,566,220 and \$4,884,400, respectively. As of June 30, 2019 and 2018, more than five percent of Foothill Transit's cash equivalents were in Bank of the West totaling \$38,102,583 and \$61,413,408, respectively.

Interest Rate Risk:

As a means of limiting its exposure to fair value losses arising from rising interest rates, Foothill Transit's investment policy limits the authority's portfolio to maturities of less than five years. Foothill Transit has elected to use the segmented time distribution method of disclosure for its interest rate risk. The maturity of Foothill Transit's investment in LAIF is based on the average maturity of LAIF's investments.

Fair Value Measurement:

Foothill Transit categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. 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.

In June of 2018 Foothill Transit held \$1,243,550 in negotiable certificates.

As of June 30, 2019 and 2018 Foothill Transit held U.S. Treasury securities of \$988,639 and \$1,236,688, respectively, and government agency obligations of \$23,954,750 and \$23,450,620, respectively. All of the investments are based on quoted market prices of similar securities with similar due dates using the market approach (Level 2 inputs).

Foothill Transit has the following investments at fair value and remaining maturities as of June 30:

Remaining Investment Maturities:

Investment Type:	2019			2018		
	Fair Value	Less Than 1 Year	1 to 5 Years	Fair Value	Less Than 1 Year	1 to 5 Years
Certificates of Deposit	\$ -	\$ -	\$ -	\$ 1,243,550	\$ 1,243,550	\$ -
US Treasury	988,639	988,639	-	1,236,688	1,236,688	-
Government Callable Notes	23,954,750	-	23,954,750	23,450,620	-	23,450,620
Total	\$ 24,943,389	\$ 988,639	\$ 23,954,750	\$ 25,930,858	\$ 2,480,238	\$ 23,450,620

NOTE 4: REVENUE AND RECEIVABLES FROM OTHER GOVERNMENTAL AGENCIES

For the years ending June 30, 2019 and 2018, operating and capital grants earned from other governmental agencies consisted of the following:

	<u>2019</u>	<u>2018</u>
State and local grants		
Transportation Development Act	\$ 20,441,829	\$ 21,381,166
Proposition A Formula Subsidy	16,230,456	16,562,423
Measure R	11,316,362	10,442,879
Measure M	11,425,141	9,945,816
Proposition A Bus Service Continuation Program	4,968,084	4,592,402
State Transit Assistance	4,084,632	1,991,204
Senate Bill 1 - STA	2,404,874	1,614,533
Proposition A Local Return Exchange	2,200,000	2,000,000
Proposition C Base Restructuring	2,052,977	1,997,984
Proposition C 5% Transit Security	1,003,576	900,983
Proposition C BSIP – Overcrowding Relief	955,809	930,206
CalTrans-LCTOP OP	587,349	-
Proposition C Transit Service Expansion – Line 690	342,112	332,948
SB1-STA BSCP	263,081	183,702
AQMD/MSRC – Clean Air Grant	49,407	100,000
CRD Subsidy	-	1,700,000
	<u> </u>	<u> </u>
Total operating grants	<u>\$ 78,325,689</u>	<u>\$ 74,676,246</u>

For the years ending June 30, 2019 and 2018, capital grants earned from other governmental agencies consisted of the following:

Capital grants:

	<u>2019</u>	<u>2018</u>
State and local grants		
Proposition C - MOSIP	\$ 6,894,030	\$ 7,539,531
Proposition 1B	3,787,752	1,707,748
Transportation Development Act	2,662,016	2,391,199
Senate Bill 1 – SGR	1,869,479	420,158
Other	79,646	
Toll Revenue Grant	12,477	3,977
Measure R-Clean Fuel & Facilities	-	3,570,412
Cal Air Resource Board	-	1,440,000
Proposition C - Call for Projects	-	453,877
	<u> </u>	<u> </u>
Total state and local capital grants	15,305,400	17,526,902
Federal grants		
FTA Section 5307	19,437,566	9,953,077
FTA Section 5309	764,025	298,657
FTA Section 5339	539,110	-
	<u> </u>	<u> </u>
Total federal capital grants	<u>20,740,701</u>	<u>10,251,734</u>
	<u> </u>	<u> </u>
Total capital grants	<u>\$ 36,046,101</u>	<u>\$ 27,778,636</u>

Other governmental agencies amounts due are recorded when earned based on operating grant and capital grant revenue recognition. Management believes that no provision for an allowance was necessary at June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
Proposition C MOSIP	\$ 3,188,238	\$ 1,314,657
Senate Bill 1 - State Transit Assistance	2,465,224	1,798,235
Transportation Development Act	2,091,592	-
City of Duarte	1,119,445	-
State Transit Assistance	1,021,158	1,555,637
Senate Bill 1 - State of Good Repair	413,658	420,158
Proposition C Call For Projects	73,872	73,872
Los Angeles Department of Transportation	70,035	-
Pass Sales	30,532	79,223
Antelope Valley Transportation Authority	9,611	-
Proposition 1B	7,583	20,964
Pass Sales - Metrolink	7,342	7,227
Toll Revenue Grant	6,186	199
CRD Subsidy	-	1,600,000
Proposition A	-	163,733
AQMD/MSRC - Clean Air Grant	-	100,000
Measure R - Clean Fuel & Facilities	-	357,539
Federal agencies		
Section 5307 Capital Grant - FTA	546,057	-
Section 5339 Capital Grant - FTA	<u>539,110</u>	<u>-</u>
Total Due from Governmental Agencies	<u>\$ 11,589,643</u>	<u>\$ 7,491,444</u>

NOTE 5: RECEIVABLES

At June 30, 2019 and 2018, receivables consist of the following and are expected to be collected within one year:

	<u>2019</u>	<u>2018</u>
Trade Receivables (Pass Sales)	\$ 1,122,272	\$ 1,091,544
TAP Sales	324,044	305,050
Merchant Services	55,549	79,828
Miscellaneous	<u>72,871</u>	<u>70,520</u>
	<u>\$ 1,574,736</u>	<u>\$ 1,546,942</u>

Receivables are recorded when earned based on operating revenue recognition. Management believes that no provision for an allowance was necessary at June 30, 2019 and 2018.

NOTE 6: CAPITAL ASSETS

Changes in the capital assets by category for the years ended June 30, 2019 and 2018, are as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 14,137,570	\$ -	\$ -	\$ 14,137,570
Construction in progress	<u>10,142,910</u>	<u>11,126,566</u>	<u>-</u>	<u>21,269,476</u>
Total capital assets not being depreciated	24,280,480	11,126,566	-	35,407,046
Other capital assets				
Facility	110,277,249	-	(1,186,014) (1)	109,091,235
Transit buses	246,675,491	24,167,029	(9,381,780)	261,460,740
Other operating equipment	46,667,861	2,057,844	-	48,725,705
Vehicles	946,196	138,854	-	1,085,050
Furniture and fixtures	<u>873,564</u>	<u>-</u>	<u>-</u>	<u>873,564</u>
Total other capital assets at historical cost	405,440,361	26,363,727	(10,567,794)	421,236,294
Accumulated depreciation				
Facility	(53,012,333)	(3,658,629)	-	(56,670,962)
Transit buses	(120,051,475)	(19,352,711)	9,381,780	(130,022,406)
Other operating equipment	(42,507,733)	(1,729,779)	-	(44,237,512)
Vehicles	(776,988)	(70,232)	-	(847,220)
Furniture and fixtures	<u>(782,386)</u>	<u>(23,877)</u>	<u>-</u>	<u>(806,263)</u>
Total accumulated depreciation and amortization	<u>(217,130,915)</u>	<u>(24,835,228)</u>	<u>9,381,780</u>	<u>(232,584,363)</u>
Other capital assets, net	<u>188,309,446</u>	<u>1,528,499</u>	<u>(1,186,014)</u>	<u>188,651,931</u>
Total capital asset, net	<u>\$ 212,589,926</u>	<u>\$ 12,655,065</u>	<u>\$ (1,186,014)</u>	<u>\$ 224,058,977</u>

(1) During fiscal year 2019, \$1,186,014 of assets were reclassified from Facility to Construction in progress.

NOTE 6: CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 10,132,713	\$ 4,004,857	\$ -	\$ 14,137,570
Construction in progress	4,971,739	5,171,171	-	10,142,910
Total capital assets not being depreciated	<u>15,104,452</u>	<u>9,176,028</u>	<u>-</u>	<u>24,280,480</u>
Other capital assets				
Facility	109,731,192	577,637	(31,580)	110,277,249
Transit buses	237,590,204	16,065,910	(6,980,623)	246,675,491
Other operating equipment	44,576,378	2,091,483	-	46,667,861
Vehicles	945,238	68,055	(67,097)	946,196
Furniture and fixtures	831,115	42,449	-	873,564
Total other capital assets at historical cost	<u>393,674,127</u>	<u>18,845,534</u>	<u>(7,079,300)</u>	<u>405,440,361</u>
Accumulated depreciation				
Facility	(47,838,749)	(5,173,584)	-	(53,012,333)
Transit buses	(108,561,181)	(18,470,917)	6,980,623	(120,051,475)
Other operating equipment	(39,952,956)	(2,554,777)	-	(42,507,733)
Vehicles	(749,170)	(94,915)	67,097	(776,988)
Furniture and fixtures	(760,349)	(22,037)	-	(782,386)
Total accumulated depreciation and amortization	<u>(197,862,405)</u>	<u>(26,316,230)</u>	<u>7,047,720</u>	<u>(217,130,915)</u>
Other capital assets, net	<u>195,811,722</u>	<u>(7,470,696)</u>	<u>(31,580)</u>	<u>188,309,446</u>
Total capital asset, net	<u>\$ 210,916,174</u>	<u>\$ 1,705,332</u>	<u>\$ (31,580)</u>	<u>\$ 212,589,926</u>

NOTE 7: PURCHASED TRANSPORTATION

Foothill Transit provides bus service through third party providers for its facilities in Arcadia and Pomona. Keolis was awarded a four-year contract with one four-year option commencing on July 1, 2017, for the operating services at the Pomona Facility.

The operating contracts with Keolis and TransDev compensate the contractors based on contractually determined rates per bus revenue miles and hours. They also receive a fixed fee for indirect overhead. The mileage and hourly rates are subject to adjustment in June of each year based on changes in the CPI for the year ending the previous May. The Pomona service expense was \$29,950,189 and \$29,068,932 for the years ended June 30, 2019 and 2018, respectively. Foothill Transit's related expense for service at the Arcadia Facility was \$44,878,188 and \$43,759,413 for the years ended June 30, 2019 and 2018, respectively. On a combined basis, the contractors provided performance bonds totaling approximately \$10.5 million for the protection of Foothill Transit.

NOTE 8: COMMITMENTS AND CONTINGENCIES

a. Operating Lease Commitments

Foothill Transit leases certain facilities under long-term lease agreements. Foothill Transit leases space for a Transit Store in the Puente Hills Mall. This lease was executed on July 5, 2013, and expires on August 31, 2023, with renewable options for ten years. Monthly rent includes a base amount of \$2,674 plus additional charges for marketing, taxes and insurance. Currently, the additional charges total \$4,699 for a total monthly rent of \$7,373. Rent expense for the years ended June 30, 2019 and 2018, was \$113,079 and \$99,901.

b. Capital Commitments

Foothill Transit has a commitment to purchase 10 new CNG buses for a total cost of \$6,536,860, including sales tax; two Electric double-decker buses for 3,386,964, Remote electric bus charger for 1,348,000.

c. Legal Matters

In the ordinary course of business, Foothill Transit is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial statements of Foothill Transit.

NOTE 9: OPERATING LEASE INCOME

Foothill Transit is the lessor in several operating leases for surplus office space in the administrative offices building. Two of the administrative offices building's six floors are leased. The first floor is leased to Chase Bank and the fourth floor is leased to three different entities. The leases expire at various dates between August 2018 and April 2027. The historical cost of the two leased floors approximates \$5,982,412, representing one third of the building cost. At June 30, 2019 and 2018, the carrying value of the leased space was \$3,305,039 and \$3,505,701, net of accumulated depreciation of \$2,677,373 and \$2,476,711, respectively.

The future minimum lease rentals in the aggregate for each of the five succeeding fiscal years are:

Year Ending June 30	Lease Revenue
2020	\$ 420,216
2021	434,226
2022	459,566
2023	462,934
2024	391,143
2025-2027	1,044,633
Total	\$ 3,212,718.00

NOTE 10: RISK MANAGEMENT

Foothill Transit carries commercial insurance to protect against potential losses, including coverage for the following: commercial general liability, excess liability, public officials and employee liability, computer equipment (including media and data protection), commercial property (including personal property and business income), and pollution liability (including loss remediation or legal expense coverage).

Foothill Transit also requires its contract transit operators to provide, as a contract requirement, insurance coverage naming Foothill Transit as an additional insured on their commercial general liability, automobile liability, excess liability, and workers compensation policies.

There were no reductions in coverage or claims in excess of coverage during the fiscal years ended June 30, 2019, 2018, and 2017, nor were there any claims payments made during the year or claims payable at the end of the year

NOTE 11: DEFINED CONTRIBUTION RETIREMENT PLAN

Effective July 1, 2014, Foothill Transit adopted the ICMA Retirement Corporation Governmental Money Purchase Plan and Trust (“the 401(a) Plan”) and the ICMA Retirement Corporation Governmental 457 Deferred Compensation Plan and Trust (“the 457 Plan”), for all full-time employees of Foothill Transit. Benefit and contribution terms for the plans are established and may be amended by the Board of Directors; however, the plan is administered by a third party, ICMA Retirement Corporation. Foothill Transit contributes 8% of the employee’s salary to the 401(a) Plan with no matching requirements, plus an additional dollar for dollar employer match of up to 4% more. Foothill transit contributed \$606,657 and \$585,964 to the 401(a) Plan during fiscal years 2019 and 2018, respectively.

Participants are 100% vested immediately. Employees are permitted to make contributions to the 457 plan, up to applicable Internal Revenue Code limits. There are no employer contributions to the 457 Plan. As of June 30, 2019 and 2018, the balance invested in both plans by both employees and Foothill Transit totaled \$5,943,173 and \$4,632,933, respectively. There was no liability outstanding for either plan as of June 30, 2019 or 2018.

280 PUCHNITZ HALL



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STATISTICAL SECTION

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FINANCIAL SECTION

This part of Foothill Transit's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the agency's overall financial health.

Financial Trends

- 28** These schedules contain trend information to help the reader understand how the agency's financial performance and well-being have changed over time.

Revenue Capacity

- 31** These schedules contain information to help the reader assess the agency's most significant local revenue sources and taxes.

Debt Capacity

- 33** These schedules present information to help the reader assess the affordability of the agency's current levels of outstanding debt and the agency's ability to issue additional debt in the future.

Demographic and Economic Information

- 33** These schedules offer demographic and economic indicators to help the reader understand the environment within which the agency's financial activities take place.

Operating Information

- 34** These schedules contain service and infrastructure data to help the reader understand how the information in the agency's financial report relates to the services the agency provides and the activities it performs.

FINANCIAL TRENDS - Net Position

Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Unrestricted	Total Net Position
2010	153,466,484	24,673,168	178,139,652
2011	152,768,075	24,550,008	177,318,083
2012	152,006,110	24,751,704	176,757,814
2013	148,897,686	25,382,942	174,280,628
2014	184,208,626	23,779,619	207,988,245
2015	201,831,874	29,455,331	231,287,205
2016	200,276,321	37,861,516	238,137,837
2017	210,142,128	36,848,616	246,990,744
2018	210,364,476	36,845,704	247,210,180
2019	221,655,610	40,095,688	261,751,298

Source: Foothill Transit Finance Department

FINANCIAL TRENDS - Change In Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income (Loss)	Nonoperating Revenues/ Expenses	Income/(Loss) Before Contributions	Capital Contributions	Change in Net Position
2010	18,186,656	85,141,072	(66,954,416)	45,444,021	(21,510,395)	8,284,503	(13,225,892)
2011	18,507,098	77,336,333	(58,829,235)	41,320,176	(17,509,059)	16,687,490	(821,569)
2012	19,585,484	80,246,868	(60,661,384)	42,831,809	(17,829,575)	17,269,306	(560,269)
2013	19,550,489	82,534,239	(62,983,750)	44,012,132	(18,971,618)	16,494,432	(2,477,186)
2014	19,907,140	88,037,934	(68,130,794)	45,949,812	(22,180,982)	55,888,599	33,707,617
2015	20,070,304	96,020,737	(75,950,433)	56,182,234	(19,768,196)	43,067,156	23,298,960
2016	18,531,384	101,711,307	(83,179,923)	62,643,667	(20,536,256)	27,386,888	6,850,632
2017	17,571,558	112,415,920	(94,844,362)	72,848,673	(21,995,689)	30,848,596	8,852,907
2018	17,688,164	119,534,295	(101,846,131)	74,286,931	(27,559,200)	27,778,636	219,436
2019	17,321,438	121,655,515	(104,334,077)	82,829,094	(21,504,983)	36,046,101	14,541,118

Source: Foothill Transit Finance Department

FINANCIAL TRENDS - Operating Revenue by Source

Last Ten Fiscal Years

Fiscal Year	Farebox and Bus Pass Revenue	Special Services	Dial-A-Ride	Liquidated Damages	Other Revenue	Total
2010	16,454,980	744,039	594,913	251,950	140,774	18,186,656
2011	17,238,311	386,031	667,633	124,200	90,923	18,507,098
2012	18,496,259	204,227	729,537	97,100	58,361	19,585,484
2013	18,441,434	254,517	714,543	33,000	106,995	19,550,489
2014	18,845,702	259,313	699,493		102,632	19,907,140
2015	18,890,298	337,229	693,605	26,550	122,622	20,070,304
2016	17,144,739	391,381	701,303	77,111	216,850	18,531,384
2017	16,082,346	346,487	868,758	133,800	140,167	17,571,558
2018	16,343,392	301,318	737,582	107,950	197,922	17,688,164
2019	16,079,596	534,612	511,739	51,900	143,591	17,321,438

Source: Foothill Transit Finance Department

FINANCIAL TRENDS - Non-operating Revenues and Expenses

Last Ten Fiscal Years

Fiscal Year	Operating Grants	Interest	Gain (Loss) on Disposal of Assets	Net decline in Fair Value of Investments	Prop A Exchange ³	Other Revenues (Expenses)	Excise Tax Refund	Property Management Revenue (Expense)	Total
2010	45,830,120	54,695	(746,515)			(47,137)		352,858	45,444,021
2011	41,388,504	36,145	105,429					(209,902)	41,320,176
2012	43,206,876	75,137	3,154			(197,324)		(256,034)	42,831,809
2013	43,775,320	101,057	320,719					(184,964)	44,012,132
2014	45,821,966	113,695	155,520					(141,369)	45,949,812
2015	50,816,890	142,093	214,472				4,928,098 ¹	80,681	56,182,234
2016	57,267,820	399,728	18,730			1,024,267 ²	3,854,145 ¹	78,977	62,843,667
2017	66,777,964	466,489	121,056		(1,335,866)	1,918,382 ²	2,852,756 ¹	47,892	72,848,673
2018	74,676,246	717,557	74,164	(547,040)	(1,500,000)	804,069 ²		61,935	74,286,931
2019	78,325,689	1,094,748	71,329	513,032	(1,650,000)	1,651,326 ²	2,815,887 ¹	7,083	82,829,094

Source: Foothill Transit Finance Department

¹ Compressed Natural Gas (CNG) fuel tax refund. Discontinued in 2017

² Other Revenue includes Low Carbon Fuel Standard credits

³ Proposition A fund exchange was made from general funds

FINANCIAL TRENDS - Operating Expenses

Last Ten Fiscal Years

Fiscal Year	Purchased Transportation	Fuel Cost	Salaries & Benefits	Special Services	Dial-A-Ride Expenditures	Professional Services	Advertising	General & Administrative	Depreciation Expense	Total
2010	45,777,304	7,300,610	6,870,100 ¹	440,220	583,545	912,625	259,169	2,455,503	20,541,996	85,141,072
2011	42,546,290	6,369,946	6,450,062 ¹	224,755	656,265	1,113,036	216,422	2,250,497	17,509,060	77,336,333
2012	44,700,314	5,899,524	7,293,707 ¹	131,384	718,033	1,264,497	318,188	2,288,971	17,632,250	80,246,868
2013	44,936,529	5,834,816	7,927,140 ¹	168,930	702,729	1,187,901	397,940	2,406,636	18,971,618	82,534,239
2014	47,199,412	5,944,334	5,282,937	144,953	687,442	3,561,061 ²	401,793	2,635,020	22,180,982	88,037,934
2015	52,737,534	5,223,294	5,463,016	233,241	681,421	3,717,814 ²	419,360	2,848,762	24,696,294	96,020,736
2016	56,166,308	5,385,427	6,133,544	267,684	688,961	3,722,103 ²	577,093	3,355,518	25,414,669	101,711,307
2017	66,266,768	6,185,549	6,386,062	266,925	856,305	3,464,219 ²	418,213	3,140,918	25,430,961	112,415,920
2018	72,828,345	5,682,454	6,663,141	257,260	737,582	3,238,546 ²	415,579	3,395,159	26,316,229	119,534,295
2019	74,828,377	7,100,807	6,898,462	393,277	498,697	3,477,230 ²	445,698	3,177,739	24,835,228	121,655,515

Source: Foothill Transit Finance Department

¹ Represents management expenses paid to private contractor for day-to-day administrative and operational functions

² Professional expenses including contracted services for transit stores and facilities

FINANCIAL TRENDS - Capital Assets Grant Contributions

Last Ten Fiscal Years

Fiscal Year	Proposition C	Federal Transit Administration	Measure R	Senate Bill 1 - State of Good Repair	Transportation Development Act	Prop 1B/ CARB/LCTOP	Other	Total
2010	1,319,670	6,453,233			337,734	173,866		8,284,503
2011	2,734,459	12,998,934			637,113	316,984		16,687,490
2012	5,970,133	10,618,400			113,824	566,949		17,269,306
2013	2,578,725	8,678,882			412,909	4,823,916		16,494,432
2014	9,609,877	44,339,636			1,078,143	860,943		55,888,599
2015	1,921,510	33,933,762			790,151	6,421,733		43,067,156
2016	2,652,026	11,029,256			1,931,806	11,773,800		27,386,888
2017	7,322,862	17,466,212	27,368		2,645,459	3,386,695		30,848,596
2018	7,993,408	10,251,734	3,570,412	420,158	2,391,199	3,151,725		27,778,636
2019	6,894,030	20,740,701		1,869,479	2,662,016	3,800,229	79,646	36,046,101

Source: Foothill Transit Finance Department

REVENUE CAPACITY - TAX REVENUES - Foothill Transit and Los Angeles County

Last Ten Fiscal Years (In Thousands)

Foothill Transit ¹									
Fiscal Year	TDA ³	STA ⁴	Prop A ⁵	Prop C ⁵	Measure R ⁵	Measure M ⁵	Senate Bill 1 ⁶	Total	% of LA County County
2010	14,962		13,461	7,576	5,260			41,259	2.17%
2011	14,254	3,825	14,170	7,620	6,663			46,532	2.29%
2012	17,434	3,296	17,211	7,851	7,901			53,693	2.47%
2013	17,441	4,890	16,945	7,971	7,886			55,133	2.33%
2014	20,830	3,913	17,783	10,808	9,352			62,686	2.31%
2015	21,866	2,744	18,201	11,089	9,903			63,803	2.27%
2016	21,548	3,378	18,770	11,320	10,527			65,542	2.33%
2017	22,941	1,842	20,640	11,675	10,412			67,510	2.34%
2018	23,116	1,991	21,154	11,245	11,259	9,946	2,864	81,575	2.20%
2019	25,099	4,085	21,199	11,727	11,316	11,425	3,894	88,745	2.23%

Los Angeles County ²								
Fiscal Year	TDA ³	STA ⁴	Prop A ⁵	Prop C ⁵	Measure R ⁵	Measure M ⁵	Senate Bill 1 ⁶	Total
2010	280,300		605,884	606,135	411,953			1,904,272
2011	297,280	62,806	557,825	525,786	589,852			2,033,549
2012	323,557	64,853	584,632	564,068	638,260			2,175,370
2013	323,625	123,231	634,154	639,043	644,738			2,364,791
2014	380,801	115,609	725,902	743,472	749,228			2,715,012
2015	398,212	93,259	757,434	780,796	782,800			2,812,501
2016	387,834	107,481	766,981	770,535	776,551			2,809,382
2017	406,281	58,942	800,299	804,880	811,065			2,881,467
2018	403,419	52,981	802,055	802,115	809,563	761,900	76,071	3,708,104
2019	422,000	82,456	844,000	844,000	844,000	844,000	99,720	3,980,176

Source: Foothill Transit Finance Department

- ¹ Share of Tax Revenues Allocated to Foothill Transit through Formula Allocation Program
- ² Total LA County Transit Tax Revenues
- ³ Transportation Development Act (TDA) 1/4% of statewide sales tax revenues allocated to Transportation
- ⁴ State Transit Assistance (STA) 50% of statewide gasoline taxes allocated to Public Transit
- ⁵ Los Angeles County sales tax measures, each 1/2% of all sales for a total of 2% for all four
- ⁶ State Bill 1 funds allocated to Foothill Transit

REVENUE CAPACITY - Annual Farebox and Bus Pass Revenue

Last Ten Fiscal Years (In Thousands)

Fiscal Year	Cash	Passes	Stored Value	EZ Transit Passes	Other Revenue ¹	Total
2010	10,179,166	2,777,711	1,951,048	1,518,315	28,740	16,454,980
2011	10,965,031	3,230,792	1,836,503	1,172,952	33,033	17,238,311
2012	11,328,797	3,172,065	2,325,421	1,581,058	88,918	18,496,259
2013	10,885,442	3,178,410	2,335,453	1,456,385	585,744	18,441,434
2014	10,039,652	4,112,118	2,673,097	1,387,708	633,127	18,845,702
2015	9,878,356	4,439,522	2,920,388	1,002,420	649,612	18,890,298
2016	8,988,245	3,717,431	3,112,977	726,594	599,492	17,144,739
2017	8,330,050	3,435,100	3,067,576	651,677	597,943	16,082,346
2018	8,101,339	3,689,301	3,291,450	687,489	573,813	16,343,392
2019	7,112,560	3,868,131	3,945,266	601,786	551,852	16,079,596

Source: Foothill Transit Finance Department

¹ Other Revenue includes Access dues, Metrolink transfers, and city subsidies

REVENUE CAPACITY - Cash Fares

Last Ten Fiscal Years

Fiscal Year	Local			SilverStreak (Local Plus)			Commuter Express ³		
	Adult	Senior/ Disabled ¹	Student ²	Adult	Senior/ Disabled ¹	Student ²	Adult	Senior/ Disabled ¹	Student ²
2010 ⁴	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2011	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2012	1.25	0.50	1.25	2.75	1.35	2.75	4.90	4.90	4.90
2013	1.25	0.50	1.25	2.45 ⁵	1.15 ⁵	1.15 ⁵	4.90	4.90	4.90
2014	1.25	0.50	1.25	2.45	1.15	1.15	4.90	4.90	4.90
2015	1.25	0.50	1.25	2.45	1.15	1.15	4.90	4.90	4.90
2016	1.25	0.50	1.25	2.45	1.15	1.15	4.90	4.90	4.90
2017	1.25	0.50	1.25	2.45	1.15	1.15	4.90	4.90	4.90
2018 ⁶	1.50	0.75	1.50	2.75	1.25	2.75	5.00	5.00	5.00
2019	1.50	0.75	1.50	2.75	1.25	2.75	5.00	5.00	5.00

Source: Foothill Transit Finance Department

¹ Includes Medicare eligible customers

² Includes K-12 and college eligible customers

³ Commuter Express Service is ONLY operated during peak service periods

⁴ Fare increase effective June 27, 2010

⁵ Silver2Silver Program fare adjustment October 2012

⁶ Fare changes effective October 20, 2017

OUTSTANDING DEBT

Last Ten Fiscal Years

Fiscal Year	Capital Lease	Total Debt
2010	1,000,000	1,000,000
2011	1,000,000	1,000,000
2012	1,000,000	1,000,000
2013		
2014		
2015		
2016		
2017		
2018		
2019		

Source: Foothill Transit Finance Department

DEMOGRAPHIC AND ECONOMIC INFORMATION - Statistics for Los Angeles County

Last Ten Fiscal Years

Fiscal Year	Unemployment Rate ¹	Population ² (000)	School Enrollment ³ (000)	Personal Income ¹		Consumer Price Index ⁵	
				Total (000)	Per Capita	Value	% Change
2010	12.50%	9,824	1,574	410,674	41,791	225.9	1.21%
2011	12.20%	9,860	1,590	420,913	42,564	231.9	2.90%
2012	10.90%	9,911	1,575	455,789	45,800	236.6	1.60%
2013	9.80%	10,013	1,785	466,099	46,530	239.2	1.23%
2014	8.20%	10,069	1,564	472,387	28,337	242.4	1.35%
2015	6.60%	10,170	1,539	544,325	53,521	244.6	0.91%
2016	5.20%	10,138	1,523	554,592 ⁴	54,530 ⁴	249.2	1.89%
2017	5.20%	10,231	1,511	555,581 ⁴	54,628 ⁴	254.4	2.07%
2018	5.10%	10,284	1,493	558,537 ⁴	54,918 ⁴	256.2	0.71%
2019	4.60%	10,253	1,464	555,581 ⁴	54,628 ⁴	265.9	3.78%

Source: Foothill Transit Finance Department

¹ Employment Development Department

² State of California Department of Finance, based on prior calendar year

³ California Department of Education

⁴ Data not available, amounts increase by CPI

⁵ US Department of Labor Statistics

DEMOGRAPHIC AND ECONOMIC INFORMATION - Ten Principal Employers Los Angeles County

Employer	2018			2017		
	Number of Employees	Percentage of Total	Rank	Number of Employees	Percentage of Total	Rank
County of Los Angeles	107,400	2.19%	1	108,500	2.22%	1
Los Angeles Unified School District	104,300	2.13%	2	90,800	1.86%	2
University of California, Los Angeles	65,600	1.34%	3	63,500	1.30%	4
City of Los Angeles	61,900	1.26%	4	61,900	1.27%	3
Federal Government	43,600	0.89%	5	43,900	0.90%	5
Kaiser Permanente	37,400	0.76%	6	36,400	0.75%	6
State of California	29,800	0.61%	7	30,000	0.61%	7
University of Southern California	21,000	0.43%	8	20,100	0.41%	8
Northrop Grumman Corp.	16,600	0.34%	9	16,600	0.34%	9
Providence Health & Services	15,900	0.32%	10	15,200	0.31%	10
Target Corp	15,000	0.31%	11	15,000	0.31%	11
All Other Employers	4,378,000	89.41%		4,381,700	89.72%	
Total	4,896,500	100.00%		4,883,600	100.00%	

Source: Foothill Transit Finance Department

OPERATING INFORMATION - Operating and Capital Indicators

Last Ten Fiscal Years

Fiscal Year	Buses	Maintenance Facilities	Routes	Vehicle Service Hours (000)	Cost/Vehicle Service Hr.	Boarding/Vehicle Service Hr	Passengers (000)	Farebox Recovery Ratio
2010	316	2	35	746	85.19	19.4	14,437	25.95%
2011	300	2	35	671	88.63	20.8	13,985	29.00%
2012	314	2	39	672	83.40	20.7	13,909	32.39%
2013	314	2	35	687	91.97	20.5	14,080	29.20%
2014	330	2	35	705	92.62	20.6	14,522	28.91%
2015	330	2	36	760	93.07	19.0	14,596	26.71%
2016	361	2	37	790	95.30	17.0	13,584	22.76%
2017	380	2	39	872	98.47	15.6	13,561	18.73%
2018	374	2	37	863	106.87	14.5	12,544	17.72%
2019	384	2	39	860	111.61	14.0	12,053	16.76%

Source: Foothill Transit Finance Department

OPERATING INFORMATION - Full-Time Equivalent by Functions

Last Six Fiscal Years

Fiscal Year	Employees	Purchased Transportation			Total
	Administrative Office	Arcadia Facility	Pomona Facility	Transit Stores	FTE
2014	39	n/a	n/a	n/a	n/a
2015	43	n/a	n/a	n/a	n/a
2016	45	424	357	20	846
2017	52	490	360	23	926
2018	52	533	347	23	955
2019	52	533	328	21	934

Source: Foothill Transit Finance Department

Note: Prior to FY 2014, Foothill Transit contracted third a party contractor to perform management services, thus there were no FTE data available in prior years. Starting in FY 2016, the agency began reporting FTE to California State Controller's Office

OPERATING INFORMATION - Miscellaneous Statistics

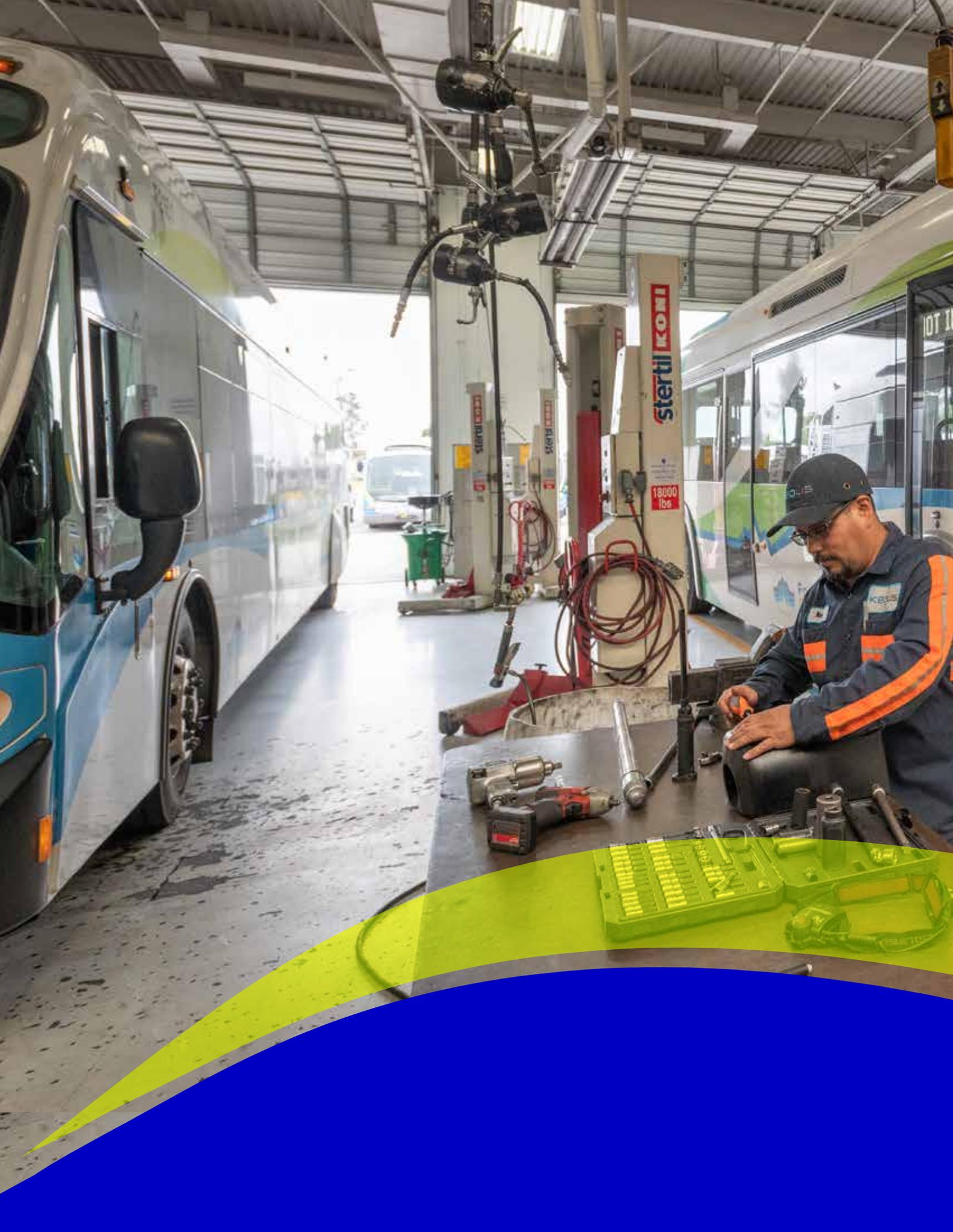
Date Formed:	December 1988
Type of Organization:	Joint Powers Authority
Membership:	22 Los Angeles County Cities And County of Los Angeles
Number of Executive Board Members:	5
Number of Employees:	52
Type of Tax Support:	Proposition A ½ of 1% Sales tax Proposition C ½ of 1% Sales tax Measure R ½ of 1% Sales tax Measure M ½ of 1% Sales tax
Service Area:	San Gabriel & Pomona Valleys, Los Angeles County, CA
Contract services provided by:	TransDev Keolis Transit Services, LLC
Number of Buses in Fleet: Compressed	
Natural Gas Powered	351
Electric Powered	33
Operational and Maintenance Facilities	2
Sales Outlets (Transit Stores):	4
Bus Routes/Lines:	
Express	6
Local	32
Bus Stops	3,631
Annual Service Hours ¹	859,528
Annual Passengers ¹	12,053,320
Average Weekday Boardings ¹	40,656

Source: Foothill Transit Finance Department

¹Fiscal Year 2018-2019



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COMPLIANCE REPORTS

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>U.S Department of Transportation</u>			
Direct Programs			
Federal Transit Cluster			
Section 5309 - Capital Investment Grant	20.500	CA 04-0093	\$ 764,025
Section 5307 - Formula Grant	20.507	CA-2016-054	659,714
	20.507	CA-2019-028	18,231,795
Section 5339 - Bus and Bus Facilities Formula Program	20.526	CA-2019-049	539,110
Total Federal Transit Cluster			<u>20,194,644</u>
Total U.S. Department of Transportation			<u>\$ 20,194,644</u>

Note a: Refer to Note 1 to the schedule of expenditures of federal awards for a description of significant accounting policies used in preparing this schedule.

Note b: There were no federal awards expended in the form of noncash assistance and insurance in effect during the year.

Note c: Total amount provided to subrecipients during the year was \$0.

Note d: See next page for additional notes.

NOTES TO SCHEDULE OF EXPENDETURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Foothill Transit, for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Foothill Transit, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Foothill Transit.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Foothill Transit has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 2: FEDERAL TRANSIT CLUSTER

These programs were established to assist public transportation corporations with planning, capital, and operating assistance. The programs are reimbursable grants based on an approved application and expenses incurred.

**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**

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

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 financial statements of Foothill Transit as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Foothill Transit's basic financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Foothill Transit's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foothill Transit's internal control. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit'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 Foothill Transit's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.

Crowe LLP

Crowe LLP

Los Angeles, California
October 14, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Report on Compliance for Each Major Federal Program

We have audited Foothill Transit's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Foothill Transit's major federal programs for the year ended June 30, 2019. Foothill Transit'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 Foothill Transit'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 Foothill Transit'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 Foothill Transit's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Foothill Transit 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 Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Foothill Transit'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.


Crowe LLP

Los Angeles, California
October 14, 2019

FOOTHILL TRANSIT, A JOINT POWERS AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs:

CFDA Numbers

20.500 / 20.507 / 20.526

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

None

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SUMMARY OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2019

There were no findings or questioned costs in the prior year.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
TRANSPORTATION DEVELOPMENT ACT AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Report on Compliance with Transportation Development Act

We have audited Foothill Transit's compliance with the types of compliance requirements described in the Transportation Development Act (TDA) Conformance Auditing Guide, the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Guidelines, and the Low Carbon Transit Operations Program (LCTOP) Final Guidelines published by the State of California Department of Transportation (collectively, "Transportation Development Act"), that could have a direct and material effect on Foothill Transit's compliance with the Transportation Development Act for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Transportation Development Act.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Foothill Transit's Transportation Development Act program 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 Transportation Development Act. Those standards 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 the Transportation Development Act program occurred. An audit includes examining, on a test basis, evidence about Foothill Transit'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 the Transportation Development Act program. However, our audit does not provide a legal determination of Foothill Transit's compliance.

Opinion on the Transportation Development Act Program

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Transportation Development Act program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Foothill Transit 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 Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on the Transportation Development Act program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Transportation Development Act program and to test and report on internal control over compliance in accordance with the Transportation Development Act, 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 Foothill Transit'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 the Transportation Development Act 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 the Transportation Development Act 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 the Transportation Development Act 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 Transportation Development Act. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Los Angeles, California
October 14, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
PROPOSITION A AND PROPOSITION C DISCRETIONARY PROGRAMS, AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Report on Compliance with Proposition A and Proposition C Discretionary Programs

We have audited Foothill Transit's compliance with the types of compliance requirements described in the Proposition A and Proposition C Local Return Guidelines and the Memorandums of Understanding for Proposition A 40% Discretionary Grant Funds and Proposition C 40% Discretionary Funds approved by Los Angeles County Metropolitan Transportation Authority (LACMTA) (collectively "Proposition A and Proposition C Discretionary Programs"), that could have a direct and material effect on Foothill Transit's compliance with the Proposition A and Proposition C Discretionary Programs for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to Proposition A and Proposition C Discretionary Programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Foothill Transit's Proposition A and Proposition C Discretionary 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 Proposition A and Proposition C Discretionary Programs. Those standards 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 the Proposition A and Proposition C Discretionary Programs occurred. An audit includes examining, on a test basis, evidence about Foothill Transit'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 the Proposition A and Proposition C Discretionary Programs. However, our audit does not provide a legal determination of Foothill Transit's compliance.

Opinion on the Proposition A and Proposition C Discretionary Programs

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Proposition A and Proposition C Discretionary Programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Foothill Transit 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 Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on the Proposition A and Proposition C Discretionary Programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Proposition A and Proposition C Discretionary Programs and to test and report on internal control over compliance in accordance with the Proposition A and Proposition C Discretionary Programs, 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 Foothill Transit'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 the Proposition A and Proposition C Discretionary Programs 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 the Proposition A and Proposition C Discretionary Programs 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 the Proposition A and Proposition C Discretionary Programs 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 Proposition A and Proposition C Discretionary Programs. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Los Angeles, California
October 14, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE MEASURE R PROGRAM AND REPORT AND
ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors
Foothill Transit (A Joint Powers Authority)
West Covina, California

Report on Compliance with Measure R Program

We have audited Foothill Transit's compliance with the types of compliance requirements described in Measure R Local Return Guidelines issued by Los Angeles County Metropolitan Transportation Authority (LACMTA) and the Memorandum of Understanding Article 4 – Audit and Reporting Requirements between LACMTA and Foothill Transit (collectively "Measure R Program"), that could have a direct and material effect on Foothill Transit's compliance with the Measure R Program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the Measure R Program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Foothill Transit's Measure R Program 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 Measure R Program. Those standards 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 the Measure R Program occurred. An audit includes examining, on a test basis, evidence about Foothill Transit'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 the Measure R Program. However, our audit does not provide a legal determination of Foothill Transit's compliance.

Opinion on the Measure R Program

In our opinion, Foothill Transit complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Measure R Program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Foothill Transit 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 Foothill Transit's internal control over compliance with the types of requirements that could have a direct and material effect on the Measure R Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Measure R Program and to test and report on internal control over compliance in accordance with the Measure R Program, 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 Foothill Transit'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 the Measure R 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 the Measure R 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 the Measure R 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 Measure R Program. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Los Angeles, California
October 14, 2019