



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2020 AND 2019



Prepared by:
Finance Department
Golden Empire Transit District
Bakersfield, California

**GOLDEN EMPIRE TRANSIT DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

	<u>Page</u>
Table of Contents	i
Board of Directors - June 30, 2020	iii
 <u>INTRODUCTION SECTION (Unaudited)</u>	
Certificate of Achievement for Excellence in Financial Reporting – June 30, 2019	iv
Chief Executive Officer Letter	v
Chief Financial Officer Letter	vii
Letter of Transmittal	ix
Profile	xii
History	xvi
Bus System Map	xviii
Organizational Chart	xix
 <u>FINANCIAL SECTION</u>	
Independent Auditor’s Report	1
Management’s Discussion and Analysis – Required Supplementary Information (Unaudited)	3
 Basic Financial Statements:	
Business Type Activity – Enterprise Fund:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Fund Net Position	9
Statements of Cash Flows	10
Notes to the Financial Statements	12
 Supplementary Information (Unaudited):	
Schedules of Operating Expenses by Function	
Fixed Route System	28
Demand Response System	29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
 <u>STATISTICAL SECTION (Unaudited)</u>	
Financial Trends	
Comparative Analysis of Revenues, Expenses and Change in Fund Net Position	32
Revenue Analysis	33
Comparative Analysis of Operating Expenses by Function	34
Schedule of Net Position	35
Schedule of Changes in Net Position	36
Schedule of Changes in Revenue	37
Schedule of Operating Expenses – Fixed Route System	38

Revenue Capacity	
Service Consumption.....	39
Passenger Fares.....	40
Statistical Information:	
Operational Profile	41
Comparative 2019 and 2020 Operating Budgets	42
Funding Sources	43
Compliance Reports:	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Independent Auditor’s Report on Compliance for each Major Federal Program And on Internal Control over Compliance Required by the Uniform Guidance.....	48
Independent Auditor’s Report on Compliance over Financial Reporting Based On an Audit of Financial Statements Performed in Accordance with the Statutes, Rules, and Regulations of the California Transportation Development Act and the Allocation Instructions and Resolutions of the Transportation Commission.....	50
Independent Auditor’s Report on State Compliance	52
Schedule of Findings and Questioned Costs.....	55

GOLDEN EMPIRE TRANSIT DISTRICT
BOARD OF DIRECTORS - JUNE 2020



Cindy Parra, Chair
City of Bakersfield Appointee



Jim Baldwin, Vice-Chair
County of Kern Appointee



Carlos Bello
City of Bakersfield Appointee



Rueben Pascual
County of Kern Appointee



Leasa Engel
At Large Appointee

INTRODUCTION SECTION



Government Finance Officers Association

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

Presented to

**Golden Empire Transit District
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

November 20, 2020

Board of Directors
Golden Empire Transit District
1830 Golden State Avenue
Bakersfield, California 93301

Members of the Board:

This Comprehensive Financial Report is being issued during an unprecedented time in the history of Golden Empire Transit District (GET). The Report tells us about our performance during Fiscal Year 2019-2020, but it is hard to remember that there was a time before the COVID-19 pandemic turned our operations upside down. Despite our need to respond to this pandemic crisis in the second half of the fiscal year, we managed to accomplish a lot of exciting things during the year and to end the year on a strong financial position.

Some of the highlights of the year include:

RYDE on-demand microtransit service. In April 2020 we completed our first pilot year of a new mode of service in southwest Bakersfield. The service enjoyed popular adoption by our customers growing from 733 rides in April 2019 when it was first implemented to 3,293 rides in February 2020, the last month of normal ridership demand before the Governor's Stay at Home Order was issued. Even as businesses have started to reopen, the RYDE service demand has rebounded healthily.

California State University Bakersfield transit center development. During fiscal year 2019-2020, GET completed construction on Phase 1 of the CSUB transit center and commenced construction on Phase 2 of the new facility at Bakersfield's premiere educational institution.

Operations and Maintenance facility upgrades. During the past year, GET was able to make several improvements to its present operations and maintenance facility. These projects were necessary to keep the aged facility functional for our everyday service demands. Photo-voltaic canopies were installed over parking areas to capture the power of Bakersfield's sunny climate and reduce GET's dependence on PG&E, thereby reducing monthly utility costs for the District.

A new bus wash system that meets present environmental standards as well as providing improved performance was constructed. This facility adds to the District's efficiency, the cleanliness of our bus fleet and improves our environmental performance.

A number of other capital projects, such as refinishing the maintenance shop floor, and planning for improvements in the next fiscal year were also priority projects.

Zero Emission Buses. During Fiscal Year 2019-2020, the District studied Zero Emission Bus (ZEB) technology and the Board of Directors adopted a policy that all future purchases of the vehicle fleet would consider zero emission technology as the preferred technology. Subsequent to the adoption of that policy, a Zero Emission Bus Plan was developed in compliance with the California Air Resources Board's Innovative Clean Transit (ICT) Rule. This rule requires that all buses owned and operated by the District be ZEBs by the year 2040. We have mapped out a plan to achieve that goal.

Subsequent to the development of the plan, the District issued a purchase order to New Flyer of America for an order of five (5) hydrogen fuel-cell buses that will be delivered in the next fiscal year. In addition, the District commenced the planning and design of a hydrogen fueling station for these new buses.

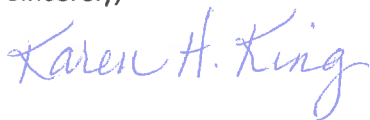
Public Transportation Agency Safety Plan (PTASP) . The Public Transportation Agency Safety Plan (PTASP) Final Rule requires certain operators of public transportation systems that receive federal funds under the Federal Transportation Administration's (FTA's) Urbanized Area Formula Grants to develop safety plans that include the processes and procedures to implement Safety Management Systems (SMS). In accordance with the rule, the District developed and adopted a PTASP including safety performance targets. The plan must be updated and certified by the transit agency annually.

Driver Barriers and cleaning protocols. With the advent of the COVID-19 pandemic in the second half of fiscal year 2019-2020, the District found it necessary to pivot and refocus on making sure our essential employees were protected and that the essential workers in the community had a clean and safe ride for their essential trips. The District installed driver barriers on all vehicles to separate the customers from the drivers to reduce the chances of the spread of the virus. In addition, we stepped up our cleaning and disinfecting routines of vehicles and facilities in compliance with state and federal guidelines. We initiated temperature taking of all employees and vendors coming to our facilities. In early April we reduced fixed route service to a weekend level of service to match the demand. We also furloughed 36 employees.

Lastly, I just want to say that I had the honor of being elected as the Vice-Chair of the California Transit Association (CTA). I also was appointed to serve as the Chair of the CTA COVID-19 Transit Crisis Relief Task Force. The Task Force developed the Transit is Essential – Recommendation for the Future of Transit report that includes 17 strategies and best practices that seek to improve the safety, efficiency, and viability of transit operations during the COVID-19 pandemic and aim to establish a reliable and resilient public transportation network in the future that expands mobility and economic opportunity to all Californians. I also serve on a similar task force for the American Public Transportation Association (APTA).

As we look forward to the next fiscal year, we do so with excitement and reserve. Reserve because the COVID-19 crisis has evolved from being a blizzard to a very long winter. Let's hope we do not have an ice age on the horizon. Excitement because so much has changed and as Albert Einstein said, "in the midst of every crisis, lies great opportunity." Here is GET's opportunity to rise and serve, to put our skills to use during an unprecedented crisis.

Sincerely,



Karen H. King
Chief Executive Officer

November 20, 2020

Board of Directors
Golden Empire Transit District
1830 Golden State Avenue
Bakersfield, California 93301

Members of the Board:

This is Golden Empire Transit District's Comprehensive Annual Financial Report (CAFR) covering the fiscal year ended June 30, 2020.

The CAFR has been prepared by the Finance Department, working with our independent audit firm, Brown Armstrong, in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB). This Department is responsible both for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. We believe that the data, as presented, is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of GETD as of June 30, 2020. All disclosures necessary to enable the reader to gain the maximum understanding of GETD financial affairs have been included.

The CAFR represents the culmination of all budgeting, financial and accounting activities engaged in by GETD during the fiscal year. The CAFR is organized in three sections:

1. The **Introductory Section** is intended to familiarize the reader with the organizational structure of GETD and the nature and scope of the provided services.
2. The **Financial Section** includes a Management Discussion and Analysis narrative to introduce the financial statements and analyze the financial activities during the fiscal year. This section also includes the Independent Auditor's Report, audited financial statements, disclosure notes, supplementary budget information, supporting statements and schedules necessary to fairly present the financial position and results of the operations of GETD in conformity with generally accepted accounting principles.
3. The **Statistical Section** contains comparative statistical data on GETD's financial, physical, economic and social characteristics.

The preparation of this CAFR required the cooperation of GETD management, staff and our independent auditors, Brown Armstrong, led by the audit engagement partner, Neeraj Datta, and the lead auditor, Melissa Cabezzas. I wish to express my thanks and appreciation to the GETD Accounting and Finance staff: Controller Melissa Ash, Accounting Clerk Debbie Ockerman and Accounting Clerk Marianne Jauregui. In particular, Ms. Ash's hard work and expertise is most responsible for the Accounting Department's success as GETD's financial and accounting environment continues to grow more complex. This skilled and dedicated group continues to work diligently to keep the agency compliant and moving forward.

Sincerely,



Steve Barnes
Chief Financial Officer

November 20, 2020

To the Members of the Golden Empire Transit District's Board of Directors, CEO and Citizens of the City of Bakersfield:

California Government Code sections 25250 and 25253 require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published in fulfillment of that requirement for the fiscal year ended June 30, 2020.

This report provides an independently audited account of the financial condition of the District. The financial statements, supplemental schedules, and statistical information are the representation of Golden Empire Transit District's (GETD) management. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. Consequently, management assumes full responsibility for their accuracy, completeness and fairness.

Brown Armstrong Accountancy Corporation, a firm of licensed certified public accountants, has audited GETD's financial statements for the fiscal years ending June 30, 2020. The goal of the independent audit is to provide reasonable assurance that the financial statements taken as a whole are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that GETD's financial statements for the fiscal year ended June 30, 2020 are fairly represented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements was a part of a broader, federally mandated "Single Audit" designed to meet the needs of federal grantor agencies. The standards governing the Single Audit engagements require the independent auditor to report the fair presentation of the financial statements, the audited internal controls, and compliance with legal requirements. The audit puts an emphasis on internal controls and legal requirements involving the administration of federal funding awards. Those reports are included in a separate Single Audit report.

As stewards of the taxpayer's money, GETD continues to achieve its primary objective of safeguarding the funds entrusted to us. Our primary focus is the planning, securing and controlling of GETD's financial resources.

GETD takes great pride in the fact that previously issued CAFRs have been awarded a prestigious award by The Government Finance Officers Association (GFOA) in the form of its Certificate of Achievement for Excellence in Financial Reporting. GETD has received the GFOA "Certificate of Achievement in Financial Reporting" seven times. These prior awards and the one we are currently seeking this year evidence the significant improvements regarding the strengthening of internal controls and our compliance with stringent GFOA standards for professional financial reporting. GETD's system of internal control is supported by written policies and procedures and is continually reviewed, evaluated and modified to meet current needs.

General Background

The Golden Empire Transit District was formed in July 1973 as a special district under the California Public Utility Code to satisfy the unmet transit needs of the City of Bakersfield. It is the largest public transit system within a 110 mile radius. The District's legal boundary includes all of the area within the Bakersfield city limits as well as adjacent unincorporated areas. The area within the legal boundary is 160 square miles. The population served by the District is 500,977.

Local Economy

Much like California as a whole, the City of Bakersfield was in an improving economic condition prior to the COVID pandemic. The two pillars of the local economy, oil and agriculture, were providing expanding employment opportunity as the unemployment rate stood at 7.5% in February, 2020. By May, 2020 the unemployment rate had climbed to 18.5%, but has since seen recovery to 13.7% as of September, 2020. The ability of the local economy to fully recover from the effects of the pandemic are indeterminable at this time. The timing of the control of the virus to where it is not an ongoing full-scale public health emergency cannot be determined currently and the longer it persists the more likely that its effects will be long lasting as some local employers may not survive the continuing lockdowns. Historically, higher local unemployment has been beneficial for the District as public transit becomes a more affordable transportation option. However, this is dependent on the District's services being perceived as a safe option for public use. The District has taken steps to enhance public safety on our vehicles including enhanced cleaning and installation of protective shields between the drivers and passengers to reduce the risk of viral transmission. The District has routinely communicated these efforts to improve public safety to our riders and the City of Bakersfield as a whole.

Long-Term Financial Planning

GETD continues to plan for the future in its short-term and long-term planning. The short-term planning rarely looks further ahead than the 12 months in the fiscal year. The goal is to ensure that the District has enough cash to pay its bills. In the long-term planning process, the planning horizon is typically 2 – 5 years. The long-term financial planning focuses on the District's long-term goals and the funding that must be secured prior to project implementation.

Major Initiatives

In December 2018, the California Air Resources Board (CARB) adopted the Innovative Clean Transit (ICT) regulation. This regulation, which has been in development since 2015, requires large transit agencies (including the District) to begin purchasing zero-emission buses (ZEBs) as soon as 2023, with the goal of transitioning all transit buses in California to zero-emission technology 2040. The ICT regulation is part of California's holistic plan to address challenging mandates and needs for public health protection, and to meet federal air quality standards and climate protection goals. The District has submitted its ZEB plan to CARB for the conversion of its current fleet of 88 buses. As part of this plan, the District currently has 5 hydrogen fuel cell buses on order for delivery in 2021.

The Administration, Operations and Maintenance facility for the District has been identified as the desired location for the Bakersfield terminal of the California High Speed Rail Authority's (CHSRA) Central Valley segment. The selection of this location was made in conjunction with the City of Bakersfield when it approved the Making Bakersfield Station Area Vision Plan and Environmental Impact Report in May 2018. This selection was certified by the CHSRA in October 2018. This will ultimately require the District to sell its existing location to the CHSRA and obtain a replacement property. The District has not yet entered into negotiations with the CHSRA to sell its existing facility nor does it have a defined timetable to complete this process.

Awards and Acknowledgements

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Golden Empire Transit District for its comprehensive annual financial report for the fiscal year ended June 30, 2019. This was the seventh consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Respectfully,



Steve Barnes
Chief Financial Officer



PROFILE OF GOLDEN EMPIRE TRANSIT DISTRICT

GETD is a metropolitan fixed route transit provider and a complementary paratransit service for the City of Bakersfield and portions of the County of Kern. In addition and with the approval of the regional transit service provider, GETD services a small area of Tejon Commercial Center approximately 24 miles south of Bakersfield. Transit origins began back in the mid 1890's as a private transit provider; however, in 1972, the private operator sold its operation and the citizens of the City of Bakersfield elected to form a special district thereafter known as Golden Empire Transit District, under the provisions of the State of California, Public Utilities Code Section 101000-101001.

GETD is governed by a five member Board of Directors. Two members are appointed by the City of Bakersfield and two are appointed by the County of Kern. The four appointed members select a member at large that constitutes the Board.

During the fiscal year July 1, 2019 to June 30, 2020 GETD provided 5.2 million fixed route passenger trips. On October 7, 2012, GETD launched a new fixed route system. This was the first major system re-alignment since fiscal year 1986-87. During this transition year fixed route ridership decreased from 7.159 million passenger trips in fiscal year 2011-12 to the current 5.2 million passenger trips in 2019-20.

GETD owns and operates eighty-eight, forty foot fixed route, compressed natural gas buses; two forty-five foot, compressed natural gas buses; nineteen, twenty-five foot paratransit compressed natural gas buses and thirty-four administrative and support vehicles. Currently GETD employs approximately 355 people in various positions as coach operators, mechanics, vehicle servicers, and facility maintenance staff, dispatchers, supervisors, administrative staff, department managers and Chief Executive Officer.

FACTORS AFFECTING FINANCIAL CONDITION

GETD management is responsible for establishing and maintaining a system of internal financial controls that provide reasonable assurance that assets are protected from loss, theft or misuse. GETD management is responsible for assuring that adequate accounting controls are in place to provide reasonable assurance as to the accuracy of information and data used to prepare this report. The concept of reasonable assurance in internal controls recognizes that the cost of implementing a control should not outweigh the benefits likely to be received, and that the valuation of costs and benefits require estimates and judgment exercised by management.

GETD's commitment is to provide the highest level of efficient service to the greatest number of people within its financial means. To provide a sustainable level of service during various

economic times, GETD has been able to maintain a strong financial position, and a conservative approach towards short-term revenues and expenditures. One of the unique aspects is the community's continued growth in the face of downward economic trends. Local revenues are determined by a portion of the state sales and use tax revenues generated from our service area. Even though overall area sales declined, population increases have offset expected sales tax revenue declines.

GETD does not have local community supported tax revenue, either from local sales tax, property tax or other common voter supported measures. In addition, in 1979 the California voters approved proposition 13 that constrains property values and tax rates, thereby reducing the potential source funding. Consequently, GETD must look to other forms of financial support.

In 2011 GETD partnered with Kern Council of Government (GETD's oversight agency) to conduct a comprehensive analysis of public transportation services in the greater Bakersfield area, resulting in recommended changes to transit services in the short-term (2013-2020), medium (2021-2025) and long-term (2026-2035) generally known as the Long-Range Plan, LRP. In the short-term, GETD's fixed route bus network, which has not been substantially altered in 25 years, was re-configured to reflect population, employment growth and demographic changes since the 1980's in order to improve customer service, ridership and cost-effectiveness. The medium and long-term plans represent possible changes based upon the accuracy of the short-term results. Consequently, the LRP is used for future operating and capital planning.

Systemic Conditions and Regulatory Requirements/Environment

On a nationwide basis, transit ridership has been on the decline for several years. GETD has not been immune from this trend. Declining ridership has directly resulted in declining fare revenue. Declining revenues coupled with contractually required increases in labor costs have challenged GETD's ability to maintain compliance with its farebox recovery ratio as required by the Transportation Development Act. Failure to comply with this requirement over multiple years would result in a restriction in GETD's state funding which is the primary source of funding for GETD. In response to this trend, GETD commissioned a study by a consultant to consider best practices regarding alternatives to traditional fixed route transit services. Based on recommendations in this study, GETD has contracted to perform a pilot study regarding the use of microtransit on-demand service as a means of enhancing ridership and fare revenue.

GETD's financial position was not further eroded as the citizens of California defeated Proposition 6 in the 2018 election. Proposition 6 would have repealed SB 1, a provision that provides \$5.2 billion annually towards state transportation, including transit services.

Local Economic Conditions / Accomplishments

"Golden Empire Transit District's mission is to consistently provide safe, accessible, reliable, courteous and affordable public transportation to diverse customers in the greater Bakersfield area". From this mission, GETD's operating and capital-planning decisions are guided along with

GETD's LRP and the Short Range Transit Plan (S RTP). This is the primary planning document, which guides the routine decisions associated with operating a public transit service.

Bakersfield continues to experience regional economic challenges. The community's economic base industries are agriculture, petroleum production and regional/national commercial product distribution centers. Its high unemployment rate is tied directly with seasonal agriculture labor fluctuations, changes in oil production and exploration and national product distribution centers. Employment stability comes from the government sector as Bakersfield is the county seat and much of local business and government activities occur here. In addition, California State University at Bakersfield and Bakersfield College provide significant employment opportunities in the community. With all these effects, GETD continues to provide millions of passenger trips each year.

Balanced Funding Concepts

GETD continually reviews its strategic goals outlined in the LRP to determine the operating and capital requirements for Short Term and Medium Term plans. It is increasingly important to ensure the availability of financial resources not only to maintain existing levels of service, but also to fund planned capital and operating expenditures including rolling stock replacement and additional facilities. GETD uses two major levels of funding resources:

- Locally controlled federal and state funding allocations (funding given to local governments and agencies to spend on operations and/or capital projects),
- Annual Federal Transit Administration budgeted apportionments.

Risk Management

GETD is exposed to a variety of business risks in operating a transit service. General liability to third parties, damage to property, injury to persons and employees, theft, public errors and omissions, mistakes, and natural disasters. To protect against these risks, GETD participates in two state insurance joint powers authorities (JPA) and is partially self-insured. Participation in a JPA allows GETD to reduce insurance cost while obtaining higher coverage limits by pool sharing risk amongst other transit agencies.

Several years ago, GETD experienced a very high frequency of incidents, consuming a large portion of reserves, and requiring substantial increase in future reserves. However, with the expansion of the Safety and Training Department and intense training and re-training programs, the quantity and severity of claims has diminished considerably, requiring fewer reserves.

GETD takes a conservative approach with liability reserves usually allocating more resources than required to fulfill GAAP requirements.

Budget Controls

Annually the Board of Directors adopts GETD operating and capital budgets that serve as a tool for financial planning and control. The budget is a financial plan governing the fiscal operating and capital investments. The budget matches revenues with the operating and capital project expenditures based on adopted policies and strategic plans from the Board of Directors. The budget process follows three basic steps that provide continuity in decision-making: (1) assess current conditions, needs and develop goals, objectives, policies and plans, (2) prioritize projects and develop a work program, (3) implement identified project plans, and evaluate their effectiveness and successes. GETD maintains budgetary controls to monitor compliance with GETD's authorization and adopted rules. The annual budget is categorized by fund type (operating or capital) and by departments. Department managers may make transfers on line items within their department. Budget transfers between departments require the approval of the Chief Executive Officer. Amendments to an adopted budget require Board approval.

History

The District formed in 1972 with the approval of two-thirds of the voters within its boundaries to provide transit service to the citizens of the Bakersfield metropolitan area as the Golden Empire Transit District (GET). Previously, service was provided by a private company, the Bakersfield Transit Company. Due to losses incurred, the Bakersfield Transit Company was taken over by the City of Bakersfield in 1956 and operated as the Bakersfield Transit Agency. The ownership of the assets and operations of the Bakersfield Transit District transferred to GET as part of its formation.

GET saw substantial ridership increase in the 1970's as the District acquired new buses, created a totally new route system, and installed 300 bus stop signs. In 1979, GET created GET-A-Lift, a curb-to-curb dial-a-ride service for people unable to access the fixed route system due to disabilities. The District is proud to be celebrating 40 years of serving this important segment of our community.

The 1980's began on a difficult note. From July to September of 1980, an operators' strike halted transit service, stranding 10,000 daily riders. The District rebounded with an expansion of its boundaries in 1981 to provide service to the Greenfield, Rosedale, Olive Drive, and northern Oildale areas. The growth in District operations required additional facilities and in 1983 GET constructed its Golden State Avenue office-maintenance facility that it still occupies currently. The year 1986 saw a major redesign of the route system from a radial system to a cross-town routing design to increase GET's reach and efficiency. The system redesign still focused on downtown Bakersfield as a hub for service and in 1987 GET opened its Downtown Transit Center at 22nd and Chester to provide a more convenient and comfortable experience for our riders.

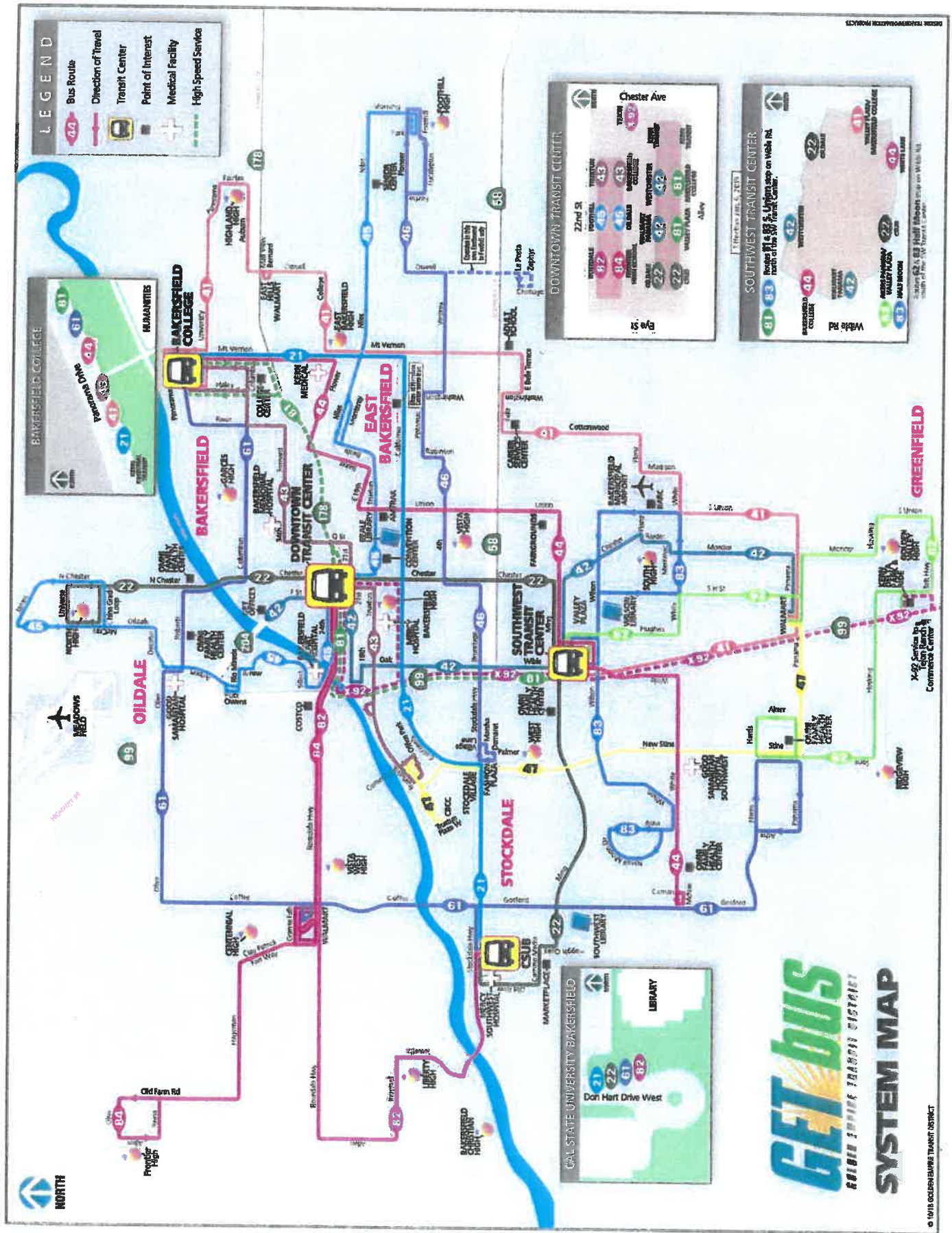
The 1990's was a decade of record growth for GET. Ridership grew substantially and the District opened its Southwest Transit Center at Valley Plaza Mall in 1994. The "Summer Sizzling Youth Pass" was introduced in 1996 and continues to be offered for customers 18 and younger for unlimited rides during June, July and August. The District demonstrated its commitment to the environment as it began converting its fleet of buses to clean burning compressed natural gas (CNG) in 1997. An on-site CNG fueling station was completed at the Golden State Avenue facility in 1998. This was also the year GET began installing bike racks on its buses to promote this mode of transportation.

The 2000's was a new era with new challenges for the District. In January 2000, GET introduced Sunday and evening service to provide this additional opportunity for mobility to the citizens of Bakersfield. It was also in 2000 that the District ended the use of contracted driver services and instead directly employed all of its drivers. This resulted in driver employment more than doubling. The District's continuing commitment to investing in technology to enhance the customer experience was demonstrated in 2004 with the purchase and installation of an Automatic Vehicle Location (AVL) system that provided schedule adherence and ridership reports. The year 2006 saw the completion of the migration of the bus fleet to CNG propulsion.

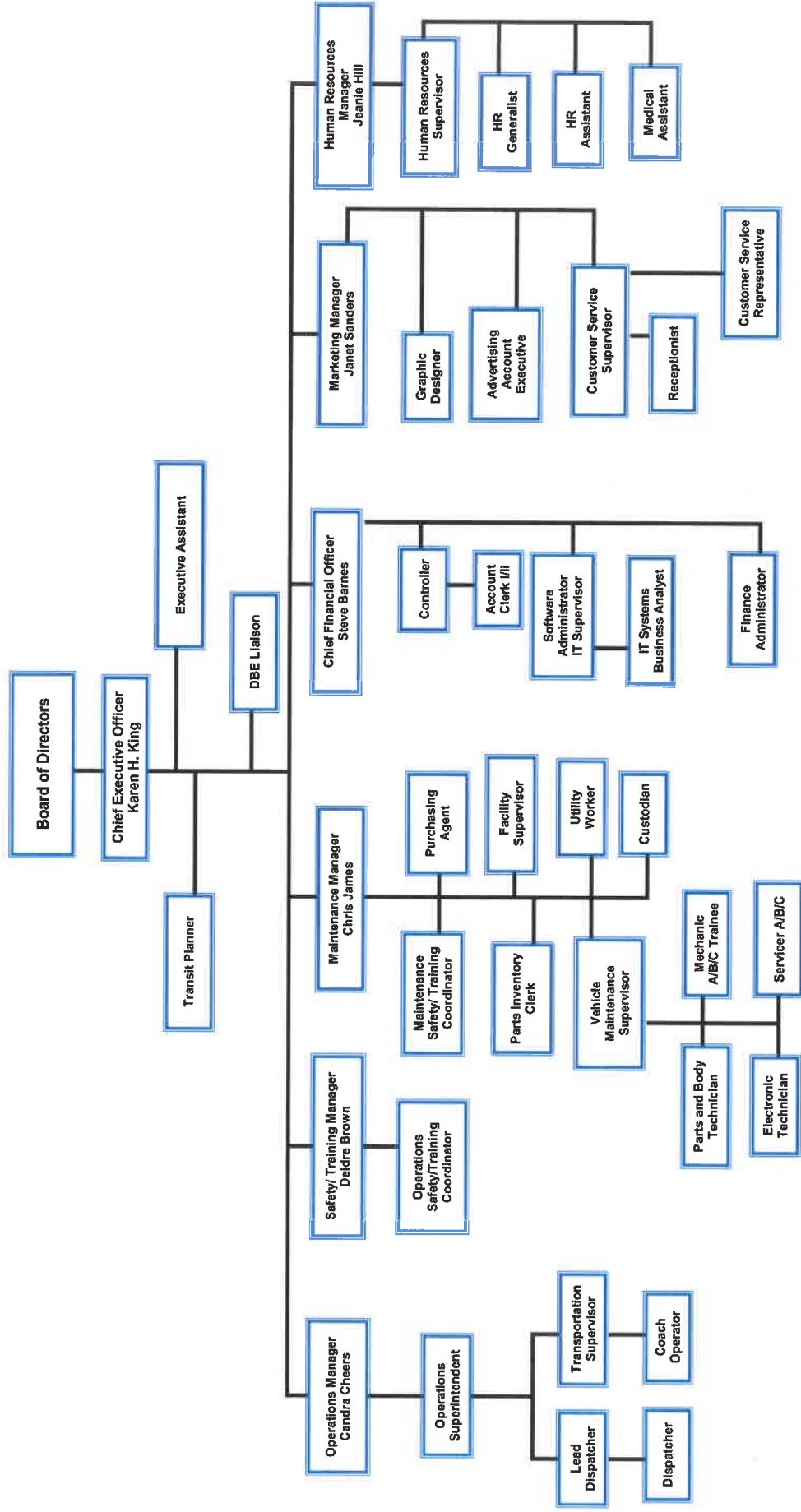
The District's most recent decade began with GET's rebranding as a new logo and bus design were unveiled. In 2012, the Metropolitan Bakersfield Transit System Long Range Plan was completed that recommended short, medium and long-term changes to transit service. The short-term recommendations were implemented with the replacement of the cross-town route system with one that is based on express, rapid or local service. Express service runs between major destinations on the most direct route making a limited number of stops. Rapid service runs more frequently than express and

makes more stops between end points. Local routes stop most frequently. Routes were also straightened for faster service. In 2013, the District began the creation of an Environmental Management System (EMS) to limit GET's environmental impact. The EMS program was certified ISO 14001 compliant in 2015 and was again certified as compliant in 2019 with the ISO 14001:2015 standards. GET was recognized in 2016 for its environmental commitment by its receipt of the Kern Green Award. The year 2016 also saw the District establish its Community Advisory Committee that is composed of citizens of Bakersfield so that they can give direct feedback to the District on its service and to enhance our ability to serve the community. Most recently, GET has initiated the RYDE microtransit pilot program in Southwest Bakersfield. This is an on-demand app driven program that provides door-to-door service and is being tested as an innovative approach to deliver convenient, direct and affordable service that supplements GET's fixed route service.

Following a significant downturn in ridership related to the COVID-19 pandemic, GET immediately changed course to support the region's pandemic recovery efforts. In April, Planning staff focused on monitoring the implementation of emergency service reductions put into service in response to the pandemic. Beginning the last week of March, service levels were reduced by 30% to accommodate shelter in place orders and operator shortages.



Golden Empire Transit District
Organizational Chart
October 2020



FINANCIAL SECTION

**GOLDEN EMPIRE TRANSIT DISTRICT
BAKERSFIELD, CALIFORNIA**

**FINANCIAL STATEMENTS
WITH
AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**

**BROWN
ARMSTRONG**

**CERTIFIED
PUBLIC
ACCOUNTANTS**

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of the Golden Empire Transit District
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Golden Empire Transit District (the District) as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District'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 opinions 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 audits 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 District'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 District'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 opinions.

BAKERSFIELD OFFICE (MAIN OFFICE)

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the fiscal 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 on pages 3 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information identified in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards (SEFA) is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

The supplementary information identified in the accompanying table of contents and the SEFA are the responsibility of management and were derived from and relate 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 supplementary information identified in the accompanying table of contents and the SEFA are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2020

**GOLDEN EMPIRE TRANSIT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2020 AND 2019**

The discussion and analysis of the financial performance of the Golden Empire Transit District (the District) provides an overview of the District's financial activities for the fiscal years ended June 30, 2020 and 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole; users of these financial statements should read this discussion and analysis in conjunction with the District's basic financial statements following this section to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of fiscal years 2020 and 2019 by \$42,093,540 and \$42,505,959, respectively (net position).
- The District's net position decreased \$412,419 in 2020 and increased \$8,864,660 in 2019.

FINANCIAL STATEMENTS

The District's financial statements are prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board. The District is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and depreciated (except land and construction in progress) over their useful lives on a straight-line basis less salvage.

FINANCIAL POSITION SUMMARY

Total net position serves as a useful indicator of the District's financial condition over time. The District's assets exceed liabilities by \$42,093,540 at June 30, 2020, and \$42,505,959 at June 30, 2019.

A condensed summary of the District's net position at June 30 is shown below:

	2020	(Restated) 2019	2018
ASSETS:			
Current assets	\$ 24,606,491	\$ 20,523,256	\$ 21,781,367
Capital assets, net of accumulated depreciation	36,406,589	36,840,950	27,984,921
Total assets	61,013,080	57,364,206	49,766,288
LIABILITIES:			
Current liabilities	13,985,640	10,349,650	11,535,647
Long-term liabilities	4,933,900	4,508,597	4,589,342
Total liabilities	18,919,540	14,858,247	16,124,989
NET POSITION:			
Net invested in capital assets	36,406,589	36,840,950	27,984,921
Unrestricted	5,686,951	5,665,009	5,656,378
Total net position	\$ 42,093,540	\$ 42,505,959	\$ 33,641,299

The largest portion of the District's net position at June 30, 2020 and 2019, represents its investment in capital assets (e.g., land, buses, building, improvements, transit centers, and equipment). The District uses these capital assets to provide services to its patrons and passengers; consequently, the net investment in capital assets is not available for future spending. A large portion of the District's liabilities equating to 50.0% at June 30, 2020, 43.4% at June 30, 2019, and 44.5% at June 30, 2018, represents unearned revenues (funds that have been received or accrued but not yet earned under the Transportation Development Act (TDA). Advances on grants related to these funds accounted for a \$3,011,320, 23% increase in liabilities at June 30, 2020, from 2019, and a \$1,522,466 decrease in liabilities at June 30, 2019, from 2018. Accounts payable and accrued expenses, including payroll, other advances, and current portion of self-insured claims and judgments, make up the majority of the District's remaining liabilities and increased \$1,050,063 from June 30, 2019, and decreased \$459,348 from June 30, 2018. An actuarial review of the self-insured claims and judgments is performed biannually. The results of this review are recorded in the District's June 30, 2020, financial records.

FINANCIAL OPERATION HIGHLIGHTS

A condensed summary of the District's changes in net position for the fiscal years 2020, 2019, and 2018, is as follows:

	2020	(Restated) 2019	2018
Operating revenues	\$ 7,875,936	\$ 5,854,324	\$ 6,228,913
Operating expenses	<u>(37,933,225)</u>	<u>(35,104,099)</u>	<u>(35,154,535)</u>
Operating loss	(30,057,289)	(29,249,775)	(28,925,622)
Capital contributions	5,315,241	13,901,148	2,322,580
Other nonoperating revenues, net	<u>24,329,629</u>	<u>24,213,287</u>	<u>23,611,460</u>
Change in net position	(412,419)	8,864,660	(2,991,582)
Net position, beginning of year, as restated	<u>42,505,959</u>	<u>33,641,299</u>	<u>36,632,881</u>
Net position, end of year	<u>\$ 42,093,540</u>	<u>\$ 42,505,959</u>	<u>\$ 33,641,299</u>

Operating revenues increased by 34.5% from the previous year. Operating expenses increased 8.1%, as compared to 2019. Labor and employee benefit costs increased 9.3%, outside services increased 21.1%, and insurance and claims costs increased 6.6%. Advertising and other costs decreased 4.3%.

- Capital contributions decreased approximately \$8,585,907 in fiscal year 2020 compared with 2019 acquisitions.
- Net nonoperating revenues increased 0.48% for the fiscal year ended June 30, 2020, and 2.55% increase for the fiscal year ended June 30, 2019. TDA revenues and Federal Transit Administration (FTA) preventive maintenance funds increased \$108,242 from 2019.
- The resulting net change in net position for fiscal year 2020 compared with fiscal year 2019 was an decrease of \$412,419 or 0.97%.

REVENUES

A summary of revenues for the fiscal years ended June 30, 2020 and 2019, and the amount and percentage of change in relation to prior year amounts are as follows:

	2020 Amount	Percent of Total	Increase/ Decrease from 2019	Increase/ Decrease %	2019 Amount	Percent of Total	Increase/ Decrease from 2018	Increase/ Decrease %
OPERATING								
Fixed route fares	\$ 4,454,128	11.87%	\$ 90,058	2.06%	\$ 4,364,070	9.93%	\$ 44,743	1.04%
Paratransit fares	115,458	0.31%	(42,254)	-26.79%	157,712	0.36%	1,466	0.94%
Other	3,306,350	8.81%	1,973,808	148.12%	1,332,542	3.03%	(420,798)	-24.00%
Total operating	7,875,936	20.99%	2,021,612	34.53%	5,854,324	13.31%	(374,589)	-6.01%
NONOPERATING								
TDA assistance	9,394,540	25.04%	(8,684,497)	-48.04%	18,079,037	41.12%	447,915	2.54%
FTA assistance	14,659,737	39.07%	8,792,739	149.87%	5,866,998	13.34%	15,869	0.27%
Interest income/other	275,352	0.73%	8,100	3.03%	267,252	0.61%	138,043	106.84%
Total nonoperating	24,329,629	64.84%	116,342	0.48%	24,213,287	55.07%	601,827	2.55%
CAPITAL CONTRIBUTIONS	5,315,241	14.17%	(8,585,907)	-61.76%	13,901,148	31.62%	11,578,568	498.52%
TOTAL REVENUES	\$ 37,520,806	100.00%	\$ (6,447,953)	-14.66%	\$ 43,968,759	100.00%	\$ 11,805,806	36.71%

TDA assistance (composed of Local Transportation Funds and State Transit Assistance Funds) decreased 48.04% between June 30, 2020 and 2019, and increased 2.54% between June 30, 2019 and 2018. Federal assistance for general operations increased by 149.87% between June 30, 2020 and 2019, and increased by 0.27% between June 30, 2019 and 2018. TDA assistance will increase or decrease in proportion to eligible expenses not covered by operating revenue or federal nonoperating revenue.

Interest and other income (expenses) are derived from funds held by the Kern County Treasurer and gain (loss) on the sale of capital assets. The difference of \$8,100 is attributed to interest rates. Capital contributions decreased between fiscal years 2020 and 2019 by 61.76%.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital assets are capitalized at cost. Acquisitions are funded using a variety of financing techniques, such as Federal grants, State TDA funding, District reserve funds, and District revenues. Additional information on the District's capital assets can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND CONDITIONS AFFECTING NEXT YEAR

The effects of the COVID pandemic were impactful on the District. Contemporaneous with Governor Newsom's March 19, 2020 statewide lockdown order, the District saw ridership declines of approximately 60% that persisted through the end of the 2019-20 fiscal year and into 2020-21 as economic restrictions were maintained to limit the spread of the COVID virus. In response to the decreased demand, the District reduced service levels with this reduction in effect as of the date of these financial statements. This precipitous decline exacerbated a trend of decreased ridership that has continued over the past several years. This trend has affected not just the District, but has been systemic throughout the nation. It is currently indeterminable what the duration or severity of the health crisis will be to District ridership. Contingency plans are being formulated for potential adjustments to District operations in the event there is no near-term recovery.

In addition to the direct effect of reduced fares from reduced ridership, the District's revenues have also been impacted indirectly by the pandemic. The only routine source of operating subsidy comes from Kern County's share of local retail sales taxes collected by the State Board of Equalization and returned to Kern County pursuant to the TDA. In normal circumstance, the expanding county population has made this an increasing source of nonoperating revenue; however, due to the negative impact of the pandemic

on economic activity at both the state and county levels, it is anticipated that sales tax collections will be curtailed for the indefinite future. The extent and duration of the anticipated revenue reduction is indeterminable at this time.

To qualify for full receipt of funding under the TDA, the District must meet certain fare recovery requirements. Fare recovery is the amount of passengers fares charged and other related revenues compared to operating expenses. The 2019-20 fiscal year fare recovery was 25.6% for fixed route services and 20.7% for paratransit service. The minimum TDA required recovery was 20% and 10%, respectively. The District's recovery ratio has been declining the last several years. The key factor causing a lower ratio is ridership demand. During the past several years, ridership and fares collected have steadily declined, not just for the District, but as a national trend. Historically this has happened before and recovered. The District continues to seek methods to reverse the trend in decreased ridership. The District is allowed to include certain auxiliary revenues in calculating the farebox recovery ratio. These include interest income, advertising income, fuel sales to third parties, and sales of Low Carbon Fuel Standard credits and Renewable Identification Number credits from the District's use of renewable natural gas to fuel the fleet. The District continues to seek additional sources of auxiliary revenue to supplement its ridership fare revenue. Passenger fares are set by the Board of Directors and changed when determined necessary by the Board. The District most recently implemented a fare increase in October 2019. In response to the impacts of the pandemic on all transit agencies in California, Assembly Bill (AB) 90 was passed into law with one of its provisions being the elimination of financial penalties for failure to meet farebox recovery requirements for the fiscal years 2019-20 and 2020-21.

To partially alleviate the economic consequences of the pandemic, the Federal government passed the CARES Act on March 27, 2020. This Act provided an excess of \$2 trillion in economic relief, including \$25 billion for transit. The allocation of these funds to specific transit agencies resulted in approximately \$23.8 million in relief funding for the District. These funds are available for both the operating and capital needs of the District, although the District has opted to utilize them solely for its operating needs to offset lost revenue and additional costs incurred to respond to the pandemic. Approximately \$15.4 million of these funds are available to support operations for the 2020-21 fiscal year.

The State of California continues its efforts to fund transportation and successfully approved State Senate Bill (SB) 1 in April 2017. The bill increased the tax on gasoline and diesel sales as well as assessed increased fees for vehicle license renewal and a substantial increase for electric vehicles for its ten-year term. This additional income will provide significant increased funding for state transportation. The Local Transportation Fund (LTF) as provided by the State, is the District's most important source of operating funds. Because the LTF is sourced from sales tax receipts and due to the unknown extent or duration of the pandemic on economic activity that would directly affect sales tax collections, the impact on LTF allocable to the District is unknown. The District also receives State Transit Assistance (STA) and State of Good Repair (SGR) funding from the State that are significant to meeting operating needs.

The coming fiscal year 2020-21 will be influenced by Federal re-authorization of Moving Ahead for Progress in the 21st Century (MAP-21). In 2012, Congress adopted sweeping changes to FTA programs in all 49 Code of Federal Regulations (CFR) flexible formula funding categories. There were significant funding changes in this authorization including no earmarks; however, the Federal budget will determine the District's annual funding. The District relies on Federal Section 5307 formula funding for capital and preventive maintenance projects, and Section 5309 major capital improvement funding for project specific financing. Federal funding is the second largest source of District operating revenue. On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation Act, or "FAST Act." It is the first law enacted in over ten years that provides long-term funding certainty for surface transportation. While it is a five-year bill providing some predictability for future funding and it restores competitive funding for bus capital projects, it does not provide for increased funding levels in the programs used by the District. The FAST Act was extended through September 30, 2021, by recent legislation.

As the District looks forward to the 2020-21 operating year, the focus will be on strengthening fixed route service and attracting more ridership. Unfortunately, declining ridership has had a significant impact on the budgeted revenues. As mentioned, the farebox recovery ratio is required to be maintained in excess of 20% (the minimum TDA requirement). The recent history of lower gasoline prices and the abundance of low priced used cars have contributed to declining bus ridership. During the 2017-18 fiscal year, the District engaged an outside consulting firm to provide it a study of best practices regarding alternatives to traditional fixed route services. The District considered recommendations made by this study and implemented a pilot project for microtransit service in the 2018-19 fiscal year. This is a smart phone application based on-demand service alternative that is intended to create a new revenue source for the District. This pilot study of the District's RYDE service was successful and it has been integrated into the District's slate of services. The District intends to extend the area that RYDE services during the 2020-21 fiscal year.

In addition to RYDE as a demand response service, the District has begun a non-emergency medical transport service (NEMT) in the 2020-21 fiscal year. The District has received approval from the California Department of Health Care Services to be a MediCAL provider of NEMT services. Based on the number of MediCAL qualified citizens in Kern County, and more specifically the City of Bakersfield, the District anticipates that this will be a highly utilized service.

On March 31, 2017, the District and Teamsters Local 517 agreed on a five-year collective bargaining agreement beginning April 1, 2017. Bus operators and maintenance employees enjoyed modest to significant wage increases and few changes to benefits. During the remaining two years, wages and benefits will have a significant impact on budgets as these represent the largest category of operating expenses for the District.

Currently, the District is working with California State University, Bakersfield to design and construct a campus transit terminal. Phase one of this project has been completed and the second and final phase is in process and is anticipated to be completed in the 2020-21 fiscal year.

The District planned to replace and expand its main office and bus facilities at its current location. Staff procured architectural and engineering services with local TDA funding to provide construction designs and cost estimates. However, the California High Speed Rail Authority (CHSRA) with the support of the City of Bakersfield and the County of Kern proposed an alternative alignment. The original alignment for the high speed rail was centered in the downtown corridor. The alternative alignment now displaces the District's administration, operations, and maintenance facilities, as well as the adjoining property where new facilities were planned. The CHSRA has accepted this alternative, has had public hearings, and its Board has certified a final supplemental environment impact report (EIR). Certification of the EIR allows the CHSRA to take additional steps toward advancing major work on the project, including negotiations for the purchase of the District's administrative location. It is anticipated that this process could take multiple years.

The coming year will certainly be challenging for the District. Improved service changes and asset acquisitions are planned. We are financially capable of accomplishing these goals.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mr. Steve Barnes, Chief Financial Officer, Golden Empire Transit District, 1830 Golden State Avenue, Bakersfield, CA 93301-1012 or (661) 324-9874.

Basic Financial Statements

**GOLDEN EMPIRE TRANSIT DISTRICT
STATEMENTS OF NET POSITION
BUSINESS-TYPE ACTIVITY – ENTERPRISE FUND
JUNE 30, 2020 AND 2019**

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash, cash equivalents, and investments	\$ 17,558,553	\$ 12,754,924
Accounts receivable	839,243	560,436
Due from other governmental agencies	4,959,745	6,032,626
Interest receivable	-	6,741
Inventories	1,032,996	1,083,474
Prepaid expenses	215,954	85,055
Total Current Assets	<u>24,606,491</u>	<u>20,523,256</u>
NONCURRENT ASSETS:		
Nondepreciable capital assets	6,094,445	3,147,396
Capital assets, net	<u>30,312,144</u>	<u>33,693,554</u>
Total Noncurrent Assets	<u>36,406,589</u>	<u>36,840,950</u>
Total Assets	<u>\$ 61,013,080</u>	<u>\$ 57,364,206</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,341,450	\$ 610,519
Accrued payroll and related taxes	2,174,905	2,147,779
Other accrued liabilities	-	41,498
Other advances	-	145,000
Advances on grants		
Transportation Development Act (TDA)	4,233,250	1,808,380
Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Funds	5,220,634	4,634,274
Current portion of claims and judgments payable	<u>1,015,401</u>	<u>962,200</u>
Total Current Liabilities	<u>13,985,640</u>	<u>10,349,650</u>
LONG-TERM LIABILITIES:		
Claims and judgments payable	<u>4,933,900</u>	<u>4,508,597</u>
Total Long-Term Liabilities	<u>4,933,900</u>	<u>4,508,597</u>
Total Liabilities	<u>18,919,540</u>	<u>14,858,247</u>
NET POSITION		
NET POSITION:		
Net investment in capital assets	36,406,589	36,840,950
Unrestricted	<u>5,686,951</u>	<u>5,665,009</u>
Total Net Position	<u>\$ 42,093,540</u>	<u>\$ 42,505,959</u>
Total Liabilities and Net Position	<u>\$ 61,013,080</u>	<u>\$ 57,364,206</u>

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

**GOLDEN EMPIRE TRANSIT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITY – ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
OPERATING REVENUES:		
Passenger fares	\$ 4,569,586	\$ 4,521,782
Other	3,306,350	1,332,542
Total Operating Revenues	7,875,936	5,854,324
OPERATING EXPENSES:		
Operations	15,819,513	13,920,316
Vehicle maintenance	7,465,028	7,685,193
Non-vehicle maintenance	1,642,360	1,417,611
Administration	7,278,664	6,944,492
Depreciation expense	5,727,660	5,136,487
Total Operating Expenses	37,933,225	35,104,099
OPERATING LOSS	(30,057,289)	(29,249,775)
NONOPERATING REVENUES:		
Operating Funds:		
Local Transportation Fund	9,394,540	18,079,037
Federal Transit Administration Fund	14,659,737	5,866,998
Total Operating Funds	24,054,277	23,946,035
Interest	249,392	136,578
Gain on sale of capital assets	25,960	130,674
Total interest and gain on sale of capital assets	275,352	267,252
Total Nonoperating Revenues	24,329,629	24,213,287
CAPITAL CONTRIBUTION FUNDS:		
Local Transportation Fund	1,693,532	844,121
Other State Grants	1,072,817	3,194,158
Federal Transit Administration Grants	2,548,892	9,862,869
Total Capital Contribution Funds	5,315,241	13,901,148
Change in Net Position	(412,419)	8,864,660
NET POSITION:		
Net position, beginning of year, as restated (Note 13)	42,505,959	33,641,299
Net position, end of year	\$ 42,093,540	\$ 42,505,959

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

**GOLDEN EMPIRE TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS
BUSINESS-TYPE ACTIVITY – ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 4,290,779	\$ 4,137,787
Payments to suppliers for goods or services	(6,701,441)	(7,714,246)
Payments to employees for services	(23,581,504)	(21,521,036)
Insurance claims	(952,978)	(1,525,293)
Other receipts	3,306,350	1,332,542
Net Cash Used by Operating Activities	(23,638,794)	(25,290,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Local Transportation Fund	12,503,859	19,172,309
Federal operating grants	15,634,529	6,322,510
Net Cash Provided by Noncapital Financing Activities	28,138,388	25,494,819
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions	5,315,241	13,901,148
Payments on the acquisition of capital assets	(5,313,628)	(14,001,152)
Proceeds from the sale of capital assets	46,289	139,311
Net Cash Provided by Capital and Related Financing Activities	47,902	39,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	256,133	129,837
Net Cash Provided by Investing Activities	256,133	129,837
Net Increase in Cash, Cash Equivalents, and Investments	4,803,629	373,717
CASH, CASH EQUIVALENTS, AND INVESTMENTS:		
Beginning balance	12,754,924	12,381,207
Ending balance	\$ 17,558,553	\$ 12,754,924
FINANCIAL STATEMENT PRESENTATION:		
Cash, cash equivalents, and investments	\$ 17,558,553	\$ 12,754,924
Total Cash, Cash Equivalents, and Investments	\$ 17,558,553	\$ 12,754,924

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

**GOLDEN EMPIRE TRANSIT DISTRICT
STATEMENTS OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITY – ENTERPRISE FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (30,057,289)	\$ (29,249,775)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	5,727,660	5,136,487
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(278,807)	(383,995)
Decrease/(Increase) in inventories	50,478	(243,490)
(Increase) in prepaid expenses	<u>(130,899)</u>	<u>(9,380)</u>
Decrease in current operating assets, net	<u>5,368,432</u>	<u>4,499,622</u>
(Decrease)/Increase in accounts payable and accrued expenses	730,931	(397,260)
(Decrease)/Increase in accrued payroll and related taxes	(14,372)	39,599
(Decrease) in other advances	(145,000)	-
(Decrease)/Increase in claims and judgments payable	<u>478,504</u>	<u>(182,432)</u>
(Decrease)/Increase in current operating liabilities, net	<u>1,050,063</u>	<u>(540,093)</u>
Net Cash Used by Operating Activities	<u><u>\$ (23,638,794)</u></u>	<u><u>\$ (25,290,246)</u></u>

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

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Golden Empire Transit District (the District) was created pursuant to state legislation adopted in September of 1971 (Part 13, Division 10, Public Utilities Code (PUC)). The purpose of the District is to satisfy unmet transit needs in the City of Bakersfield (the City) and certain portions of the unincorporated area of the County of Kern (the County).

The District is governed by a five-member Board of Directors (the Board). Of the five members, two are appointed by the County Board of Supervisors, two are appointed by the City Council, and one is appointed by majority vote of the other four members of the Board.

Reporting Entity

The District follows the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39, *The Financial Reporting Entity*. This statement sets forth accountability of a government's elected officials to their constituents as the basic criteria for inclusion of an organization in a governmental reporting entity. The governmental reporting entity consists of the District as the primary government.

Basis of Presentation

The basic financial statements provide information about the District's enterprise fund. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Enterprise Fund (proprietary fund) – The account of the District is organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a set of self-balancing accounts that comprise the District's assets, liabilities, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to passengers for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues, including federal and state grants, and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's financial statements are accounted for as a Business-Type Activity, as defined by GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, and its financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers deposits with the County Treasurer and all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Cash and Investments

The District maintains its operating cash account on deposit with the County Treasurer that is available for general use. The District applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which require governmental entities to report certain investments at fair value in the statement of net position and recognize the corresponding change in fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the District has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Under provisions of the Investment Policy, the District may invest in the following types of investments subject to the restrictions in the California Government Code Section 53601:

- (a) Obligations of the U.S. Treasury
- (b) Government agencies and instrumentalities
- (c) Kern County Treasury Pool

Pension Plan

The District's Plan provides retirement benefits for all qualifying union and non-union employees. Cash and investments in the Plan are restricted by the Board to provide for the future payment of pension benefits and related expenses.

The District applies the provisions of GASB Statement No. 50, *Pension Disclosures—an Amendment of GASB Statements No. 25 and No. 27*. This statement establishes standards for the measurement, recognition, and display of pension expense and related liabilities, note disclosures, and required supplementary information.

Inventory

Inventory consists primarily of bus replacement parts and fuel and is stated at cost using the weighted-average method. Inventories are charged to expense, on a weighted-average basis, at the time that individual items are withdrawn from inventory.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are stated at cost and are depreciated and amortized using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	25 to 40 years
Vehicles	4 to 12 years
Equipment	3 to 8 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

The District's policy is to capitalize all property and equipment with a cost greater than \$1,000 and a useful life of more than one year.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vested accumulated rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

Capital Contributions

The District receives grants from the Federal Transit Administration (the FTA) and state and local transportation funds for the acquisition of buses and other equipment and improvements. Capital contributions are recognized when the cost of the related assets is included in property and equipment.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category. The District has no outstanding debt related to capital assets.
- Restricted Net Position – This category presents amounts with external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted net position is available, unrestricted resources are used only after the restricted resources are depleted. The District has no restricted net position at fiscal year-end because Transportation Development Act (TDA) funds received, but not earned, have been reported as advances on grants in the statements of net position.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

- **Unrestricted Net Position** – This category represents net position of the District, not restricted for any project or other purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Newly Implemented GASB Statements

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this standard are effective immediately. The objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for periods beginning after June 15, 2018. There was no effect on the District's accounting and financial reporting as a result of implementing this standard.

Future GASB Statements

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for fiscal years beginning after December 15, 2019. The District will implement GASB Statement No. 84 if and where applicable.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. The District will implement GASB Statement No. 87 if and where applicable.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. The District will implement GASB Statement No. 89 if and where applicable.

GASB Statement No. 90 – *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for fiscal years beginning after December 15, 2019. The District will implement GASB Statement No. 90 if and where applicable.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. The District will implement GASB Statement No. 91 if and where applicable.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement for paragraphs related to Statement No. 87 and implementation guide 2019-3, reinsurance recoveries, to implement with GASB Statement No. 87; all others are effective for fiscal years beginning June 15, 2022. Early application is encouraged. The District will implement GASB Statement No. 92 if and where applicable.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Early application is encouraged. The District will implement GASB Statement No. 93 if and where applicable.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 94 – *Public-Private and Public-Private Partnership and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020, and all fiscal years thereafter. Early application is encouraged. The District will implement GASB Statement No. 94 if and where applicable.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all fiscal years thereafter. The District will implement GASB Statement No. 96 if and where applicable.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans*. The requirements in paragraph 4 as it applies to defined contribution plans, defined contribution OPEB plans, and other employee benefit plans, and paragraph 5 are effective immediately. All other requirements are applicable for fiscal years beginning after June 15, 2021. The District will implement GASB Statement No. 97 if and where applicable.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2020 and 2019, are classified in the accompanying financial statements as follows:

	2020	2019
Deposits in County Investment Pool	\$ 5,165,157	\$ 6,724,593
Cash in bank	12,377,523	6,019,173
Cash held by banks for insurance claims	10,398	4,788
Cash on hand	5,475	6,370
Total Cash, Cash Equivalents, and Investments	<u>\$ 17,558,553</u>	<u>\$ 12,754,924</u>

Cash, cash equivalents, and investments as of June 30, 2020 and 2019, consist of the following:

	2020	2019
Statements of Net Position:		
Primary Government		
Cash and investments	<u>\$ 17,558,553</u>	<u>\$ 12,754,924</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 17,558,553</u>	<u>\$ 12,754,924</u>

Deposits

At June 30, 2020 and 2019, the carrying amount of the District's deposits was \$12,377,523 and \$6,019,173, respectively. At June 30, 2020 and 2019, the corresponding bank balances were \$12,477,007 and \$6,178,975, respectively. The difference between bank balances and carrying amount resulted from outstanding checks and deposits in transit. All deposits are fully collateralized in accordance with Section 53652 of the California Government Code. The California Government Code requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. Collateral is held by the pledging financial institution's trust department and is considered held in the District's

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

name. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by the federal depository insurance corporation. The District has \$250,000 that is covered by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2020, and \$250,000 as of June 30, 2019. The remaining balance of \$12,227,007 and \$5,928,975, respectively, is collateralized as described above.

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the **investment types** that are authorized for the District by the California Government Code (or the District's Investment Policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's Investment Policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration of credit risk**. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's Investment Policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers' Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base value	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investment by maturity as of June 30:

2020		Remaining Maturity (in Months) 12 Months or Less
<u>Investment Type</u>	<u>Amount</u>	
County Investment Pool	<u>\$ 5,165,157</u>	<u>\$ 5,165,157</u>
2019		Remaining Maturity (in Months) 12 Months or Less
<u>Investment Type</u>	<u>Amount</u>	
County Investment Pool	<u>\$ 6,724,593</u>	<u>\$ 6,724,593</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The District's investments were not considered to be highly sensitive to interest rate fluctuations as of June 30, 2020 and 2019.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code or the District's Investment Policy, and the actual rating as of year-end for the investment type as of June 30:

2020		Minimum Legal Rating	Rating as of Year-End Not Rated
<u>Investment Type</u>	<u>Amount</u>		
County Investment Pool	<u>\$ 5,165,157</u>	<u>N/A</u>	<u>\$ 5,165,157</u>
2019		Minimum Legal Rating	Rating as of Year-End Not Rated
<u>Investment Type</u>	<u>Amount</u>		
County Investment Pool	<u>\$ 6,724,593</u>	<u>N/A</u>	<u>\$ 6,724,593</u>

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

Concentration of Credit Risk

The Investment Policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District did not have any investments in any one issuer (other than external investment pools) that represent 5% or more of total District investments at June 30, 2020 or 2019.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the County Treasury).

Investment in County Investment Pool

The District is a voluntary participant in the County Investment Pool. The County Investment Pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by California Government Code Section 27143. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County, which are recorded on an amortized cost basis.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Deposits (Continued)

Fair Value Measurements (Continued)

Investments in the County Investment Pool totaling \$5,165,157 and \$6,724,593 as of June 30, 2020 and 2019, respectively, are measured at amortized cost, which approximates fair value.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES

Amounts due from other governmental agencies consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Federal (FTA):		
Capital	\$ 3,177,125	\$ 5,927,418
CARES	1,775,501	-
Local Transportation Fund (LTF):		
Other Grants	<u>7,119</u>	<u>105,208</u>
Total	<u>\$ 4,959,745</u>	<u>\$ 6,032,626</u>

Federal

Under provisions of the FTA, funds are available to the District for maintenance costs; transportation planning; and the acquisition, construction, improvement, and maintenance of transit facilities, transit vehicles, and equipment.

Local

The State of California Local Transportation Fund (LTF) monies under the TDA, as amended, are available for transit operations and development. The Kern Council of Governments (KCOG) administers these funds on behalf of the County. Funds are apportioned to eligible transit operators based on the percentage of the County's population that lies within each operator's service area.

NOTE 4 – INVENTORIES

Inventories consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Parts	\$ 1,024,864	\$ 1,066,101
Oil	<u>8,132</u>	<u>17,373</u>
Total	<u>\$ 1,032,996</u>	<u>\$ 1,083,474</u>

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 5 – CAPITAL ASSETS

The following is a summary of capital assets activity for the fiscal years ended June 30, 2020 and 2019:

	June 30, 2019	Additions	Dispositions	Adjustments	June 30, 2020
Nondepreciable Capital Assets:					
Land	\$ 2,552,395	\$ -	\$ -	\$ -	\$ 2,552,395
Construction in progress	595,001	3,035,415	(19,286)	(69,080)	3,542,050
Total Nondepreciable Capital Assets	3,147,396	3,035,415	(19,286)	(69,080)	6,094,445
Depreciable Capital Assets:					
Buildings and improvements	13,462,254	197,559	-	-	13,659,813
Vehicles	49,559,121	1,745,786	(1,158,942)	-	50,145,965
Equipment	13,642,901	334,868	(299,776)	69,080	13,747,073
Total Capital Assets, Being Depreciated and Amortized	76,664,276	2,278,213	(1,458,718)	69,080	77,552,851
Less: Accumulated Depreciation and Amortization for:					
Buildings and improvements	(11,082,364)	(718,006)	-	-	(11,800,370)
Vehicles	(23,833,727)	(4,491,763)	1,158,941	-	(27,166,549)
Equipment	(8,054,631)	(517,891)	298,734	-	(8,273,788)
Total Accumulated Depreciation and Amortization	(42,970,722)	(5,727,660)	1,457,675	-	(47,240,707)
Depreciable Capital Assets, Net of Accumulated Depreciation and Amortization	33,693,554	(3,449,447)	(1,043)	69,080	30,312,144
Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 36,840,950	\$ (414,032)	\$ (20,329)	\$ -	\$ 36,406,589
	June 30, 2018	Additions	Dispositions	Adjustments	June 30, 2019
Nondepreciable Capital Assets:					
Land	\$ 2,552,395	\$ -	\$ -	\$ -	\$ 2,552,395
Construction in progress	1,991,454	758,400	-	(2,154,853)	595,001
Total Nondepreciable Capital Assets	4,543,849	758,400	-	(2,154,853)	3,147,396
Depreciable Capital Assets:					
Buildings and improvements	12,445,568	58,343	(47,918)	1,006,261	13,462,254
Vehicles	45,134,083	12,752,432	(8,998,887)	671,493	49,559,121
Equipment	12,977,351	431,976	(243,525)	477,099	13,642,901
Total Capital Assets, Being Depreciated and Amortized	70,557,002	13,242,751	(9,290,330)	2,154,853	76,664,276
Less: Accumulated Depreciation and Amortization for:					
Buildings and improvements	(10,417,722)	(712,560)	47,918	-	(11,082,364)
Vehicles	(28,983,073)	(3,840,905)	8,990,251	-	(23,833,727)
Equipment	(7,715,134)	(583,022)	243,525	-	(8,054,631)
Total Accumulated Depreciation and Amortization	(47,115,929)	(5,136,487)	9,281,694	-	(42,970,722)
Depreciable Capital Assets, Net of Accumulated Depreciation and Amortization	23,441,073	8,106,264	(8,636)	2,154,853	33,693,554
Capital Assets, Net of Accumulated Depreciation and Amortization	\$ 27,984,922	\$ 8,864,664	\$ (8,636)	\$ -	\$ 36,840,950

Depreciation and amortization expense for the fiscal years ended June 30, 2020 and 2019, was \$5,727,660 and \$5,136,487, respectively.

The District recorded a net gain on the sale of capital assets for the fiscal years ended June 30, 2020 and 2019, of \$25,960 and \$130,674, respectively.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6 – ADVANCES ON GRANTS

The combined change in advances on grants for the fiscal years ended June 30, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Advances on grants, beginning	\$ 6,442,654	\$ 7,169,303
Operating and capital funds received	16,164,569	23,324,376
Transfer	-	-
Funds expended	<u>(13,153,339)</u>	<u>(24,051,025)</u>
Advances on grants, ending	<u>\$ 9,453,884</u>	<u>\$ 6,442,654</u>

TDA OPERATING AND CAPITAL GRANT FUNDS

The District records all unearned TDA operating and capital grant funds as advances on grants. The District earns TDA funds by incurring operating expenses in excess of fares and other revenues.

The change in advanced TDA funds for the fiscal years ended June 30, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Advances on TDA grants, beginning	\$ 1,808,380	\$ -
TDA operating and capital funds received	14,225,914	22,656,668
Transfer	(712,973)	-
TDA funds earned	<u>(11,088,071)</u>	<u>(20,848,288)</u>
Advances on TDA grants, ending	<u>\$ 4,233,250</u>	<u>\$ 1,808,380</u>

PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) FUNDS

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006. Of the \$19.925 billion of State general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the PTMISEA. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

The audit of public transportation operator finances, pursuant to Section 99245 of the PUC and required under the TDA, was expanded to include verification of receipt and appropriate expenditure of PTMISEA bond funds.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 6 – ADVANCES ON GRANTS (Continued)

PUBLIC TRANSPORTATION MODERNIZATION, IMPROVEMENT, AND SERVICE ENHANCEMENT ACCOUNT (PTMISEA) FUNDS (Continued)

During the fiscal years ended June 30, 2020 and 2019, the District applied for and received \$1,938,119 and \$667,083, respectively, from the State's PTMISEA account. \$713,973 was transferred from advances on TDA grants for state of good repair (SGR). As of June 30, 2020 and 2019, PTMISEA funds received and expended were verified in the course of our audit as follows:

	2020	2019
Advances on PTMISEA grants, beginning	\$ 4,634,274	\$ 7,169,303
PTMISEA capital funds received	1,938,119	667,083
Transfer	712,973	-
Interest accrued on PTMISEA funds	536	625
PTMISEA funds expended	<u>(2,065,268)</u>	<u>(3,202,737)</u>
Advances on PTMISEA grants, ending	<u>\$ 5,220,634</u>	<u>\$ 4,634,274</u>

NOTE 7 – OPERATING ASSISTANCE

Local and State Operating Assistance – The TDA provides operating assistance through two major sources of funding for the public transportation: the LTF, which has been in existence since 1972 (Senate Bill (SB) 325), and the State Transit Assistance (STA) Fund, which was created in 1980.

LTF funds are derived from a ¼-cent of the retail sales tax collected statewide. The State Board of Equalization returns the ¼-cent to each county according to the amount of tax collected in that county. Funds are apportioned to the City and the County based on population of areas within the County. Of the LTF funds claimed by the District for the fiscal years ended June 30, 2020 and 2019, the City funds 77.69% and 77.47%, respectively, and the County funds 22.31% and 22.53%, respectively. Total LTF funds received and accrued for the fiscal years ended June 30, 2020 and 2019, were \$9,394,540 and \$18,079,037, respectively.

Federal Funding Sources – The District has four grant contracts in process with the FTA that provide federal funds for operating assistance. The District recognized \$14,659,737 and \$5,866,998 of revenue related to the grants for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE 8 – CAPITAL ASSISTANCE

FTA Grants

For the fiscal years ended June 30, 2020 and 2019, the District had several grant contracts in process with the FTA that provide federal funds for the acquisition of buses and other equipment and improvements. The District recognized \$2,548,892 and \$9,862,869 in capital contributions related to these grants for the fiscal years ended June 30, 2020 and 2019, respectively. Under the terms of the grants, proceeds from equipment sold or retired are refundable to the federal government in proportion to the original federal capital grant funds, net of the related depreciation. No such refunds occurred for the fiscal years ended June 30, 2020 and 2019.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 – CAPITAL ASSISTANCE (Continued)

TDA Grants

For the fiscal years ended June 30, 2020 and 2019, the District received TDA funds for the acquisition of buses and other equipment and improvements. The District recognized \$1,693,532 and \$844,121 in capital contributions related to these grants for the fiscal years ended June 30, 2020 and 2019, respectively.

NOTE 9 – REVENUE RATIO

The District is required under the TDA to maintain a fare revenue ratio of 10% for the elderly/handicapped Demand Response System and 20% for the Fixed Route System. The calculations of the ratios for 2020 and 2019 are as follows:

	<u>Demand Response</u>	<u>Fixed Route</u>	<u>Combined</u>
Operating revenues	\$ 141,657	\$ 4,427,929	\$ 4,569,586
Add: Other local revenues	267,466	3,038,884	3,306,350
Add: Interest income	-	249,392	249,392
Total revenue	<u>\$ 409,123</u>	<u>\$ 7,716,205</u>	<u>\$ 8,125,328</u>
Operating expenses	\$ 3,288,639	\$ 34,644,586	\$ 37,933,225
Less: Pass through City/County	-	(100,058)	(100,058)
Less: Depreciation and amortization	<u>(278,117)</u>	<u>(5,449,543)</u>	<u>(5,727,660)</u>
Net operating costs	<u>\$ 3,010,522</u>	<u>\$ 29,094,985</u>	<u>\$ 32,105,507</u>
Fare revenue ratio - June 30, 2020	<u>13.6%</u>	<u>26.5%</u>	<u>25.3%</u>
	<u>Demand Response</u>	<u>Fixed Route</u>	<u>Combined</u>
Operating revenues	\$ 175,187	\$ 4,346,595	\$ 4,521,782
Add: Other local revenues	45,302	1,287,240	1,332,542
Add: Interest income	-	136,578	136,578
Total revenue	<u>\$ 220,489</u>	<u>\$ 5,770,413</u>	<u>\$ 5,990,902</u>
Operating expenses	\$ 2,310,530	\$ 32,793,569	\$ 35,104,099
Less: Pass through City/County	-	7,922	7,922
Less: Depreciation and amortization	<u>(289,403)</u>	<u>(4,847,084)</u>	<u>(5,136,487)</u>
Net operating costs	<u>\$ 2,021,127</u>	<u>\$ 27,954,407</u>	<u>\$ 29,975,534</u>
Fare revenue ratio - June 30, 2019	<u>10.9%</u>	<u>20.6%</u>	<u>20.0%</u>

Per the calculation, the District is in compliance with the required fare revenue ratio in fiscal years 2020 and 2019.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 10 – PENSION PLAN

On January 1, 1987, the District established the Pension Plan (the Plan). The Plan is a defined contribution plan, which provides for participation by substantially all of the employees of the District. The Plan allows employees to become eligible to participate in the Plan upon the completion of one hour of service with the District. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan is a self-administered, trustee profit sharing plan established under Internal Revenue Code Sections 401 through 417 and Section 501. An Administrative Committee, which represents the employees of the District, is responsible for the Plan and the Plan document, which is the authority under which all requirements are established and amended.

Each participating employee is required to contribute 6% of his or her compensation from the District to the Plan. The District is required to contribute an amount equal to 6% of each participating employee's compensation from the District. Contribution rates may be amended with approval of the Administrative Committee.

During the fiscal years ended June 30, 2020 and 2019, the District's required and actual contributions amounted to \$512,325 and \$477,434, respectively. District contributions amounted to 6% of the District's covered payroll for both fiscal years. Employees' required and actual contributions amounted to \$512,325 and \$470,997, which was 6% of the District's covered payroll for both fiscal years. The District's total covered payroll for the fiscal years ended June 30, 2020 and 2019, was \$8,538,747 and \$12,532,825, respectively.

The Plan held no securities of the District during the fiscal years ended June 30, 2020 and 2019, or at the close of the fiscal years.

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is self-insured for public liability and property damage up to \$250,000 per occurrence. Claims between \$250,000 and \$10,000,000 are insured through the California Transit Systems Joint Powers Authority (CalTIP), a joint powers agency (risk sharing pool) established in 1987 to provide an independently managed self-insurance program for member transit operators. Claims in excess of the pool limit are covered by excess insurance purchased by CalTIP up to \$15 million per occurrence. Specifically, the District has the following forms of coverage through CalTIP:

- bodily injury liability,
- property damage liability,
- public officials' errors and omissions liability, and
- personal injury liability.

The purpose of CalTIP is to spread the adverse effect of losses among the member agencies and to purchase excess insurance as a group, thereby reducing its expense.

The District is self-insured for workers' compensation benefits. The District is a member of CSAC Excess Insurance Authority, a joint powers authority established to provide workers' compensation benefits above self-insured levels. The District's self-insured retention is \$500,000, and the pool with excess insurance can cover statutory limits.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 11 – RISK MANAGEMENT (Continued)

Accounting principles generally accepted in the United States of America require accrual of the estimated claims loss payable (including incurred but not reported claims and related loss adjustment expenses) as of June 30, 2020 and 2019. The District contracts with an independent actuary to compute the estimated liabilities of the District's self-insurance workers' compensation program. The liability for unpaid claims for workers' compensation is discounted to reflect anticipated future investment earnings, assuming a five percent interest rate. The amount for public liability is estimated by management based on current information. While the ultimate amounts of losses incurred through June 30, 2020 and 2019, are dependent on future developments, based upon information provided from the actuary, outside counsel, and others involved with the administration of the program, the District's management believes that the aggregate accrual is adequate to cover such losses.

Changes in the reported liability resulted from the following:

	Workers' Compensation Liability	Public Liability	Total
Balance at July 1, 2019	\$ 4,811,000	\$ 659,797	\$ 5,470,797
Claims and changes in estimates	(183,949)	(221,378)	(405,327)
Claims payments	449,956	433,875	883,831
Balance at June 30, 2020	<u>\$ 5,077,007</u>	<u>\$ 872,294</u>	<u>\$ 5,949,301</u>
	Workers' Compensation Liability	Public Liability	Total
Balance at July 1, 2018	\$ 5,319,428	\$ 333,801	\$ 5,653,229
Claims and changes in estimates	(988,528)	(139,222)	(1,127,750)
Claims payments	480,100	465,218	945,318
Balance at June 30, 2019	<u>\$ 4,811,000</u>	<u>\$ 659,797</u>	<u>\$ 5,470,797</u>

NOTE 12 – CONTINGENCIES

The District has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, the District believes that any required reimbursement will not be material.

Additionally, the District is party to various claims and litigation in the normal course of business. In the opinion of management and legal counsel, any ultimate losses have been adequately provided for in the financial statements.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 13 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment for fiscal year 2018-19 was implemented to reclassify \$795,817 of unexpended advance grant funds from Operating Funds to Current Liabilities. Prior to this adjustment, these unexpended advance funds were classified as Operating Funds rather than Total Liabilities.

The District adjusted its beginning net position as of July 1, 2019.

Net position at July 1, 2019, as previously stated	\$ 43,301,776
Reclassify Advances on Grants recorded as revenue rather than a liability	<u>(795,817)</u>
Net position beginning of year, as restated	<u>\$ 42,505,959</u>

NOTE 14 – SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. In response, the County of Kern, followed by the Governor of California, issued a Shelter at Home order effective March 19, 2020, requiring certain non-essential businesses to temporarily close to the public. At the current time, management is unable to quantify the potential effects of this pandemic on its future financial statements.

Subsequent events have been evaluated through October 30, 2020, the date these financial statements were available to be issued.

Supplementary Information

**GOLDEN EMPIRE TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES BY FUNCTION –
FIXED ROUTE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

June 30, 2020

	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	Administration	Total
Labor:					
Operator salaries and wages	\$ 8,009,008	\$ 1,576,678	\$ 322,379	\$ -	\$ 9,908,065
Other salaries and wages	859,440	840,274	98,549	2,033,860	3,832,123
Fringe benefits	4,690,898	1,471,609	243,420	1,050,017	7,455,944
Services	26,334	209,687	435,829	1,456,583	2,128,433
Materials and supplies:					
Fuel, tires, and lubricants	-	1,069,110	295,622	-	1,364,732
Other materials and supplies	35,618	1,704,697	245,337	60,680	2,046,332
Schedules	-	-	-	48,869	48,869
Utilities	-	-	-	266,658	266,658
Casualty and liability costs	-	-	-	1,292,501	1,292,501
City/Council contributions	-	-	-	100,058	100,058
Miscellaneous	4,215	215,366	1,224	645,763	866,568
Depreciation and amortization	4,384,431	197,183	7,347	745,342	5,334,303
Total	\$ 18,009,944	\$ 7,284,604	\$ 1,649,707	\$ 7,700,331	\$ 34,644,586

June 30, 2019

	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	Administration	Total
Labor:					
Operator salaries and wages	\$ 8,113,813	\$ 1,610,786	\$ 299,305	\$ -	\$ 10,023,904
Other salaries and wages	766,887	880,347	86,184	2,102,343	3,835,761
Fringe benefits	3,359,743	1,348,071	208,058	1,089,254	6,005,126
Services	19,824	238,562	318,192	1,254,844	1,831,422
Materials and supplies:					
Fuel, tires, and lubricants	-	1,595,767	223,450	-	1,819,217
Other materials and supplies	27,545	1,496,431	281,138	73,444	1,878,558
Schedules	-	-	-	37,671	37,671
Utilities	-	-	-	228,172	228,172
Casualty and liability costs	-	-	-	1,255,679	1,255,679
City/Council contributions	-	-	-	(7,922)	(7,922)
Miscellaneous	3,819	209,969	1,284	823,825	1,038,897
Depreciation and amortization	3,907,907	312,625	15,843	610,709	4,847,084
Total	\$ 16,199,538	\$ 7,692,558	\$ 1,433,454	\$ 7,468,019	\$ 32,793,569

**GOLDEN EMPIRE TRANSIT DISTRICT
SCHEDULES OF OPERATING EXPENSES BY FUNCTION –
DEMAND RESPONSE SYSTEM
FOR THE FISCAL YEARS ENDED JUNE 30, 2020 AND 2019**

June 30, 2020					
	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	Administration	Total
Labor:					
Operator salaries and wages	\$ 1,459,142	\$ -	\$ -	\$ -	\$ 1,459,142
Other salaries and wages	127,502	79,154	-	105,085	311,741
Fringe benefits	564,983	18,476	-	16,718	600,177
Services	22,468	104,141	-	-	126,609
Materials and supplies:					
Fuel, tires, and lubricants	-	82,339	-	-	82,339
Other materials and supplies	629	93,497	-	2,004	96,130
Depreciation and amortization	278,117	-	-	115,240	393,357
Miscellaneous	19,276	-	-	60,947	80,223
Casualty and liability costs	-	-	-	138,921	138,921
Total	<u>\$ 2,472,117</u>	<u>\$ 377,607</u>	<u>\$ -</u>	<u>\$ 438,915</u>	<u>\$ 3,288,639</u>
June 30, 2019					
	Operations	Vehicle Maintenance	Non-Vehicle Maintenance	Administration	Total
Labor:					
Operator salaries and wages	\$ 923,290	\$ 83,766	\$ -	\$ -	\$ 1,007,056
Other salaries and wages	234,163	-	-	-	234,163
Fringe benefits	440,012	14,613	-	-	454,625
Services	31,021	10,529	-	-	41,550
Materials and supplies:					
Fuel, tires, and lubricants	-	105,401	-	-	105,401
Other materials and supplies	199	90,951	-	-	91,150
Depreciation and amortization	289,403	-	-	-	289,403
Casualty and liability costs	-	-	-	87,182	87,182
Total	<u>\$ 1,918,088</u>	<u>\$ 305,260</u>	<u>\$ -</u>	<u>\$ 87,182</u>	<u>\$ 2,310,530</u>

**GOLDEN EMPIRE TRANSIT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Program Description</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Passed Through to Sub-Recipients</u>	<u>Program Award</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION Federal Transit Administration (FTA):					
Capital Formula Grants					
Capital	20.500	CA-2019-059	\$ -	\$ 1,130,776	\$ 601,290
Capital	20.500	CA 2019-055	-	16,373,165	6,150,100
Capital	20.507	CA-90-Y849	-	8,160,000	836,972
Capital	20.507	CX-95-X211	-	600,000	448,659
Capital	20.507	CA-95-X288	-	2,352,220	534,252
Capital	20.507	CA-2016-048	-	2,838,415	44,478
Operating - CARES	20.507	CA-2020-136-00	-	23,796,604	8,592,878
Total FTA Formula Grants			-	55,251,180	17,208,629
TOTAL FEDERAL AWARDS			\$ -	\$ 55,251,180	\$ 17,208,629

See accompanying notes to the schedule of expenditures of federal awards.

**GOLDEN EMPIRE TRANSIT DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal awards programs of the Golden Empire Transit District (the District). Federal capital grants and operating assistance funds are used to purchase capital assets and to support operations.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA has been prepared on the accrual basis of accounting.

NOTE 3 – INDIRECT COST RATE

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

STATISTICAL SECTION

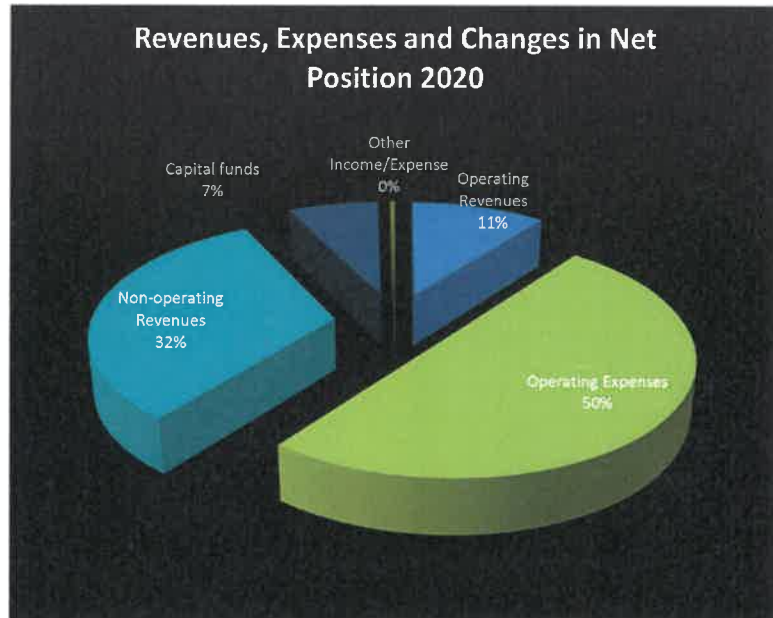
Financial Trends

GOLDEN EMPIRE TRANSIT DISTRICT

Comparative Analysis of Revenues, Expenses and Changes in Fund Net Position

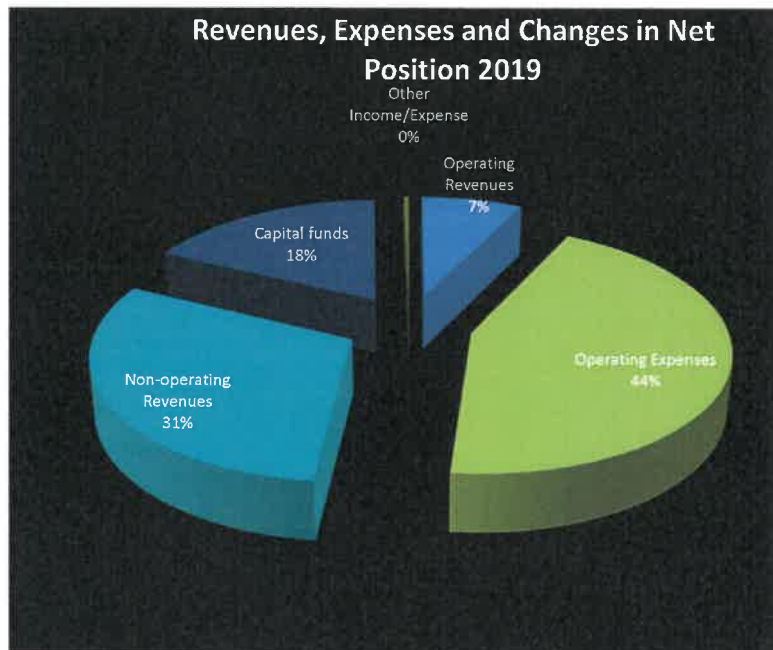
June 30, 2020

Operating Revenues	\$7,875,936
Operating Expenses	\$37,933,225
Non-operating Revenue	\$24,329,629
Capital funds	\$5,315,241
Other Income/Expense	\$275,352



June 30, 2019

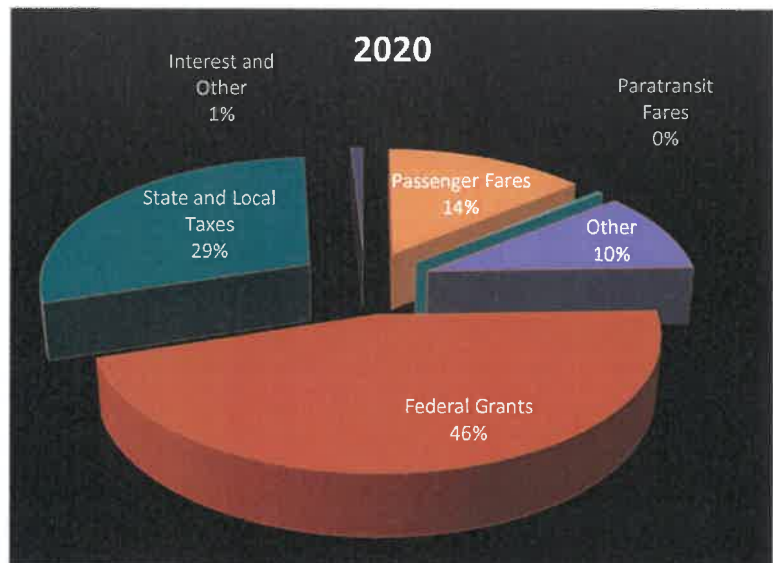
Operating Revenues	\$5,854,324
Operating Expenses	\$35,104,099
Non-operating Revenue	\$24,213,287
Capital funds	\$13,901,148
Other Income/Expense	\$267,252



GOLDEN EMPIRE TRANSIT DISTRICT Revenue Analysis

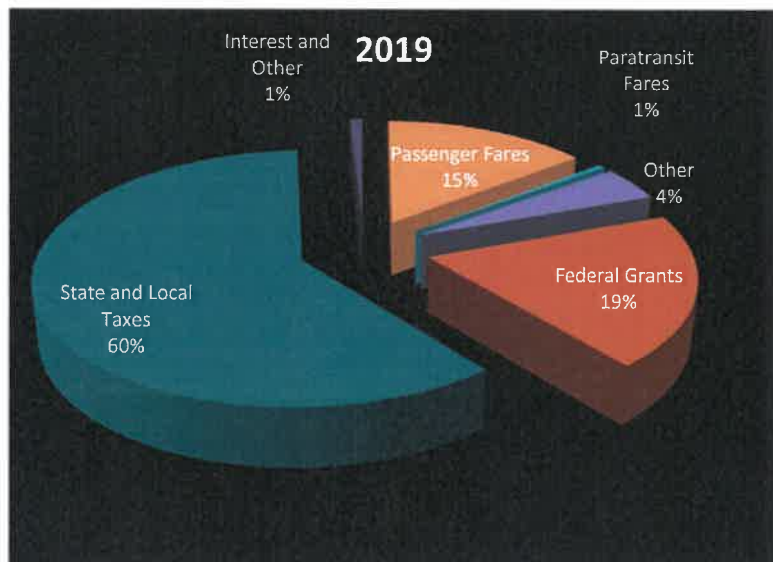
June 30, 2020

Passenger Fares	\$4,454,128
Paratransit Fares	\$115,458
Other	\$3,306,350
Federal Grants	\$14,659,737
State and Local Taxes	\$9,394,540
Interest and Other	\$275,352



June 30, 2019

Passenger Fares	\$4,364,070
Paratransit Fares	\$157,712
Other	\$1,332,542
Federal Grants	\$5,866,998
State and Local Taxes	\$18,079,037
Interest and Other	\$267,252

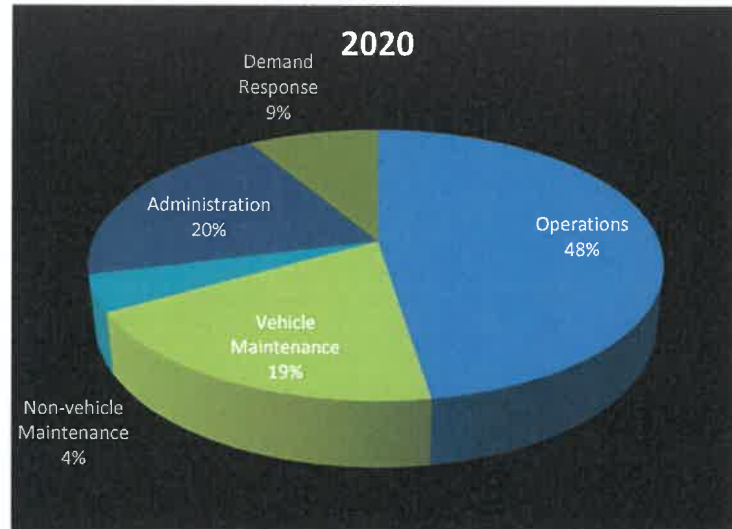


GOLDEN EMPIRE TRANSIT DISTRICT

Comparative Analysis of Operating Expenses by Function

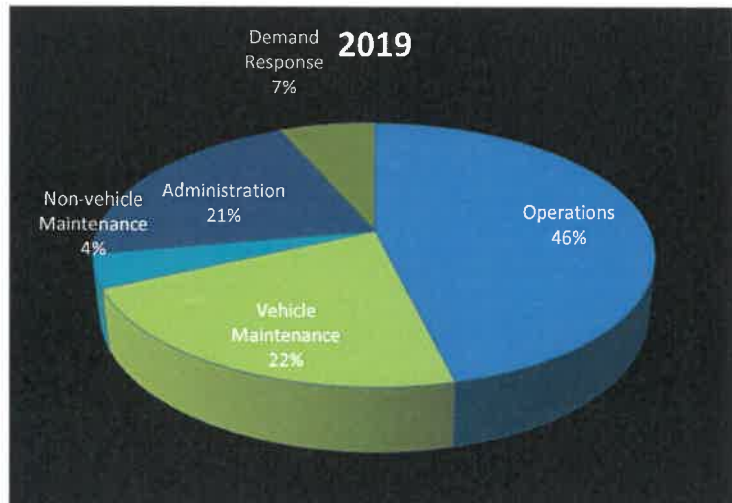
June 30, 2020

Operations	\$18,009,944
Vehicle Maintenance	\$7,284,604
Non-vehicle Maintenance	\$1,649,707
Administration	\$7,700,331
Demand Response	\$3,288,639



June 30, 2019

Operations	\$16,199,538
Vehicle Maintenance	\$7,692,558
Non-vehicle Maintenance	\$1,433,454
Administration	\$7,468,019
Demand Response	\$2,310,530



GOLDEN EMPIRE TRANSIT DISTRICT

FINANCIAL TRENDS

SCHEDULE OF NET POSITION
Previous ten fiscal years

NET ASSETS	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net investment in Capital Assets	\$36,406,589	\$36,840,950	\$27,984,921	\$30,977,273	\$32,712,289	\$36,979,829	\$40,029,097	\$33,018,934	\$34,923,400	\$32,862,563
Unrestricted	<u>5,686,851</u>	<u>5,665,009</u>	<u>5,656,378</u>	<u>5,655,608</u>	<u>5,608,680</u>	<u>4,754,985</u>	<u>5,599,588</u>	<u>5,598,516</u>	<u>5,484,162</u>	<u>5,420,869</u>
Total	\$42,093,440	\$42,505,959	\$33,641,299	\$36,632,881	\$38,320,969	\$41,734,814	\$45,628,685	\$38,617,450	\$40,407,562	\$38,283,432

GOLDEN EMPIRE TRANSIT DISTRICT

FINANCIAL TRENDS

SCHEDULE OF CHANGES IN NET POSITION
Previous ten fiscal years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Operating Revenue</u>										
Total Operating Revenue	\$7,875,936	\$5,854,324	\$6,228,913	\$4,998,382	\$5,154,293	\$4,583,163	\$5,167,963	\$5,498,135	\$5,966,169	\$5,737,520
Total Operating Expenses	(37,933,225)	(35,104,099)	(35,154,535)	(33,011,334)	(30,042,820)	(28,838,236)	(29,838,897)	(29,297,022)	(28,984,844)	(27,865,155)
Operating Loss	(30,057,289)	(29,249,775)	(28,925,622)	(28,012,952)	(24,888,527)	(24,255,073)	(24,670,934)	(23,798,887)	(23,018,675)	(22,127,635)
Total Nonoperating Revenue	<u>24,329,629</u>	<u>24,213,287</u>	<u>23,611,460</u>	<u>22,619,747</u>	<u>19,628,754</u>	<u>18,658,565</u>	<u>19,157,971</u>	<u>18,260,780</u>	<u>17,345,510</u>	<u>15,940,506</u>
NET LOSS BEFORE										
CAPITAL CONTRIBUTIONS	(5,727,660)	(5,036,488)	(5,314,162)	(5,393,205)	(5,259,773)	(5,596,508)	(5,512,963)	(5,538,107)	(5,673,165)	(6,187,129)
Total Capital Contributions	<u>5,315,241</u>	<u>13,901,148</u>	<u>2,322,580</u>	<u>3,705,117</u>	<u>1,845,928</u>	<u>1,702,637</u>	<u>12,524,198</u>	<u>3,747,995</u>	<u>7,797,295</u>	<u>6,200,238</u>
CHANGES IN NET POSITION	(\$412,419)	\$8,864,660	(\$2,991,582)	(\$1,688,088)	(\$3,413,845)	(\$3,893,871)	\$7,011,235	(\$1,790,112)	\$2,124,130	\$13,109

GOLDEN EMPIRE TRANSIT DISTRICT

FINANCIAL TRENDS

SCHEDULE OF CHANGES IN REVENUE Previous ten fiscal years

Fiscal Year	TOTAL OPERATING REVENUES					TOTAL NON-OPERATING REVENUES		
	Passenger Fares	Paratransit Fares	Other	Federal Grants	Local Taxes	Interest & Other		
2020	\$4,454,128	\$115,458	\$3,306,350	\$7,875,936	\$14,659,737	\$9,394,540	\$275,352	\$24,329,629
2019	\$4,364,070	\$157,712	\$1,332,542	\$5,854,324	\$5,866,998	\$18,874,854	\$267,252	\$25,009,104
2018	\$4,319,327	\$156,246	\$1,753,340	\$6,228,913	\$5,851,129	\$17,631,122	\$129,209	\$23,611,460
2017	\$4,339,196	\$164,644	\$494,542	\$4,998,382	\$5,428,507	\$17,058,457	\$132,783	\$22,619,747
2016	\$4,700,684	\$158,102	\$295,506	\$5,154,292	\$5,894,682	\$13,712,287	\$21,785	\$19,628,754
2015	\$4,075,710	\$122,459	\$384,994	\$4,583,163	\$4,583,464	\$14,027,151	\$47,950	\$18,658,565
2014	\$4,593,591	\$128,334	\$446,038	\$5,167,963	\$5,085,366	\$14,011,621	\$60,984	\$19,157,971
2013	\$4,824,290	\$126,643	\$547,202	\$5,498,135	\$4,687,711	\$13,603,302	(\$30,233)	\$18,260,780
2012	\$5,321,955	\$131,649	\$512,565	\$5,966,169	\$4,485,169	\$12,846,417	\$13,924	\$17,345,510
2011	\$5,151,986	\$136,119	\$449,415	\$5,737,520	\$3,692,972	\$13,153,166	(\$905,632)	\$15,940,506

GOLDEN EMPIRE TRANSIT DISTRICT

FINANCIAL TRENDS SCHEDULE OF OPERATING EXPENSES - FIXED ROUTE SYSTEM Previous ten fiscal years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING EXPENSES										
Bus Operator's Salaries	\$9,908,065	\$10,023,904	\$9,118,101	\$8,798,908	\$8,539,444	\$7,320,508	\$7,726,217	\$8,157,968	\$8,015,761	\$7,797,689
Other Salaries	3,832,123	3,835,761	3,382,347	3,293,439	3,174,410	2,966,754	2,935,299	3,062,751	2,953,792	2,654,586
Fringe Benefits	7,455,944	6,005,126	7,111,484	6,180,026	5,608,374	5,574,810	5,818,556	5,700,553	5,529,695	5,257,756
Contract Services	2,128,433	1,831,422	1,478,957	1,331,301	1,354,986	1,202,593	1,126,763	1,243,176	1,232,730	1,170,796
Fuel, Lubricants & Tires	1,364,732	1,819,217	1,938,186	1,471,026	209,562	1,317,642	1,492,291	326,421	1,068,638	384,776
Other Materials and Supplies	2,046,332	1,878,558	2,173,141	2,083,205	2,062,627	1,851,690	2,185,105	2,302,171	1,841,427	1,914,546
Schedules	48,869	37,671	88,084	48,531	72,506	64,062	67,052	84,720	50,468	48,742
Utilities	266,658	228,172	200,487	226,754	196,783	194,717	192,450	187,791	161,005	188,195
Casualty & liability costs	1,292,501	1,255,679	648,071	703,696	666,600	474,581	255,303	669,935	458,915	637,241
Miscellaneous	866,568	1,030,975	1,592,761	1,306,930	742,679	547,298	670,905	628,568	468,937	1,174,318
Depreciation	<u>5,334,303</u>	<u>4,847,084</u>	<u>4,867,166</u>	<u>5,010,938</u>	<u>4,969,523</u>	<u>5,203,868</u>	<u>5,171,785</u>	<u>5,128,760</u>	<u>5,300,219</u>	<u>4,708,739</u>
Total Operating Expenses	\$ 34,544,528	\$ 32,793,569	\$ 32,598,785	\$ 30,454,754	\$ 27,597,494	\$ 26,718,523	\$ 27,641,726	\$ 27,492,814	\$ 27,081,587	\$ 25,937,384

SCHEDULE OF OPERATING EXPENSES - PARATRANSIT SYSTEM Previous ten fiscal years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPERATING EXPENSES										
Bus Operator's Salaries	\$1,459,142	\$1,007,056	\$1,254,988	\$1,236,923	\$750,484	\$897,840	\$1,005,527	\$702,622	\$688,448	\$664,396
Other Salaries	311,741	234,163	279,492	277,476	293,973	286,809	281,319	206,419	251,835	321,389
Fringe Benefits	600,177	454,625	384,583	357,220	342,015	322,900	328,608	301,657	293,861	349,570
Contract Services	126,609	41,550	39,696	28,782	40,135	56,594	45,868	43,991	79,210	76,943
Fuel, Lubricants & Tires	82,339	105,401	98,473	100,224	64,161	88,265	81,337	73,049	69,665	78,787
Other Materials and Supplies	96,130	91,150	72,256	103,495	110,365	31,191	63,741	74,969	108,299	87,357
Casualty & liability costs	138,921	87,182	61,032	43,949	41,103	43,473	49,593	39,920	38,995	28,580
Miscellaneous	80,223									
Depreciation	<u>393,357</u>	<u>289,403</u>	<u>446,998</u>	<u>408,511</u>	<u>391,251</u>	<u>392,641</u>	<u>341,178</u>	<u>361,581</u>	<u>372,944</u>	<u>320,748</u>
Total Operating Expenses	\$3,288,639	\$2,310,530	\$2,637,518	\$2,556,580	\$2,033,466	\$2,119,713	\$2,197,171	\$1,804,208	\$1,903,257	\$1,927,770

Revenue Capacity

GOLDEN EMPIRE TRANSIT DISTRICT

REVENUE CAPACITY					
SERVICE CONSUMPTION					
Previous ten fiscal years					
Fiscal Year	Annual Passenger Miles		Unlinked Passenger Miles		Unlinked Passenger Trips
	Fixed Routes	Paratransit	Fixed Routes	Paratransit	
2020	18,066,396	458,150	5,245,726	78,845	
2019	21,351,877	390,043	6,196,795	55,655	
2018	21,948,633	397,522	6,377,043	58,241	
2017	18,501,223	396,101	5,157,702	61,148	
2016	19,729,024	443,920	5,457,266	62,660	
2015	19,709,902	374,079	5,454,224	54,856	
2014	21,841,003	399,801	6,046,195	56,983	
2013	20,264,334	407,034	6,174,932	54,863	
2012	23,486,284	396,698	7,158,537	52,941	
2011	22,655,903	424,758	6,902,502	57,449	

Passenger miles: the cumulative sum of all distances by each passenger.

Unlinked Passenger Trips: the number of passengers who board public transportation vehicles.
(Passengers were counted each time they board vehicles regardless of the number of vehicles passengers use).

Source: National Transit Database

**GOLDEN EMPIRE TRANSIT DISTRICT
STATISTICAL SECTION**

REVENUE CAPACITY

**PASSENGER FARES
Effective June 30, 2020**

FIXED ROUTES

RIDES:

Single ride	\$1.65
Reduced Fare Single Ride	\$0.80
Express Single Ride	\$4.00

ONE DAY PASSES:

Day Pass	\$3.55
Reduced Fare Day Pass	\$1.70
Express Day Pass	\$8.00

VOLUME DAY PASSES:

31 Day Pass (31 consecutive days use)	\$45.00
Express 31 Day Pass (31 consecutive days use)	\$60.00
Reduced Fare Monthly Pass (unlimited rides for a month)	\$22.00
Summer Youth Pass (18 years old and younger)	\$20.00

PARATRANSIT (GET-A-Lift)

Single Ride	\$3.00
10 Ride Pass	\$30.00

Statistical Information

**GOLDEN EMPIRE TRANSIT DISTRICT
STATISTICAL SECTION**

OPERATIONAL PROFILE

As of June 30, 2020

General Statistics and Service Information

Service area, in square miles	160
Service Population	503,983
Buses available for fixed route service	90
Buses used in fixed route service	69 (52 in COVID)
Paratransit vehicles available for service	19
Paratransit vehicles used in service	16 (12 in COVID)
Employees	339

**GOLDEN EMPIRE TRANSIT DISTRICT
STATISTICAL SECTION
OPERATING INFORMATION**

COMPARATIVE 2019 and 2020 OPERATING BUDGETS

	<u>2020</u>	<u>2019</u>	<u>Difference</u>	<u>% Change</u>
<u>REVENUES</u>				
Passenger fares	\$4,851,691	\$4,357,733	\$493,958	11.34%
Operating Assistance:				
State Transportation Development Act	\$20,735,875	\$19,843,199	\$892,676	4.50%
Federal grants	\$6,388,506	\$6,313,772	\$74,734	1.18%
Interest income	\$90,000	\$60,000	\$30,000	50.00%
Advertising	\$145,000	\$145,000	\$0	0.00%
CNG sales and other non-transit revenues	<u>\$1,251,791</u>	<u>\$788,866</u>	<u>\$462,925</u>	<u>58.68%</u>
TOTAL REVENUES	<u><u>\$33,462,863</u></u>	<u><u>\$31,508,570</u></u>	<u><u>\$1,954,293</u></u>	<u><u>6.20%</u></u>
<u>EXPENDITURES</u>				
Salaries, wages and fringe benefits	\$25,051,282	\$23,173,190	\$1,878,092	8.10%
Professional, contract and outside services	\$1,872,731	\$1,831,961	\$40,770	2.23%
Insurance and self-insured	\$1,087,359	\$1,022,466	\$64,893	6.35%
Parts, materials and supplies	\$1,867,500	\$2,105,300	(\$237,800)	-11.30%
Fuels, tires and lubricants	\$2,378,548	\$2,300,768	\$77,780	3.38%
Advertising	\$260,500	\$230,500	\$0	13.02%
Utilities	\$344,740	\$331,866	\$12,874	3.88%
Schedules, tickets, and ofc. supplies	\$146,361	\$141,982	\$4,379	3.08%
Other operating expenses	<u>\$453,842</u>	<u>\$370,537</u>	<u>\$83,305</u>	<u>22.48%</u>
TOTAL OPERATING EXPENDITURES	<u><u>\$33,462,863</u></u>	<u><u>\$31,508,570</u></u>	<u><u>\$1,954,293</u></u>	<u><u>6.20%</u></u>

**GOLDEN EMPIRE TRANSIT DISTRICT
STATISTICAL SECTION
OPERATING INFORMATION
Funding Sources**

The following section provides a description of the major funding resources used by GETD and their available uses.

Fare Revenue

GETD collects fares from passengers to ride the bus. The current fares are displayed on page 49.

FTA Section 5307

The Federal Transit Administration (FTA) defines Section 5307 program as:

The program (49 U.S.C.) makes Federal resources available to urbanized areas and to Governors for transit capital and operating assistance in urbanized areas for transportation related planning. An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the U.S. Department of Commerce, Bureau of the Census.

Eligible purposes include planning, engineering design and evaluation of transit projects and other technical transportation-related studies. Also include are capital investment in buses and bus-related activities such as replacement of buses, overhaul of buses, rebuilding of buses, crime prevention, and security equipment and construction of maintenance and passenger facilities and capital investments in new and existing fixed guide way systems including rolling stock, overhaul and rebuilding of vehicles, track signals, communications, and computer hardware and software. All preventive maintenance and some Americans with Disabilities Act complimentary paratransit service costs considered capital costs.

For urbanized areas with 200,000 populations and over, funds are apportioned and flow directly to a designated recipient selected locally to apply for and receive federal funds. For urbanized areas, fewer than 200,000 in population have been designated as transportation management areas and receive apportionments directly.

For urbanized areas with populations of 200,000 or more, operating assistance is not an eligible expense. In these areas, at least one percent of the funding apportioned to each must be used for transit enhancement activities such as historical preservation, landscaping, public art, pedestrian access, bicycle access, and enhanced access for persons with disabilities.

The FTA distributes Section 5307 funds annually based on a formula based on population, density, and transit operating statistics. GETD uses Section 5307 funding apportionments for both capital projects and fleet and facilities preventive maintenance. Transit related capital projects are eligible and may include multi-jurisdictional cooperation. The availability of funds for capital use is subject to local prioritization and project selection at the regional level through the Kern Council of Governments. GETD uses a minimum of 1% of FTA funding for security projects.

Transportation Development ACT (TDA)

The TDA is a dedicated funding source available to public transit, and it is the primary source of GETD operating revenues. The TDA provides two sources of funding for public transportation, the Local Transportation Fund (LTF) and the State Transit Assistance (STA) funding. The STA receives a portion of the state's sales tax on diesel revenues through within the County and apportioned to GETD, however

these funds may be available to the State in times of fiscal crisis, and are not as reliable in a declining economy.

The LTF is funded from one quarter of one cent of the six and a quarter cents of Kern County's one percent sales and use tax collected per dollar of retail receipts. The allocated portion for LTF is returned to each county based on the amount of tax dollars collected in that County. The Kern Council of Governments, the regional planning agency, apportions LTF receipts by population to all county claimants.

The STA is funded from the statewide sales tax on diesel fuels. The State allocates these funds based on a complex population and operations formula for each County. The formula allocates 50% of the funds according to population and the remaining to transit operator revenues. GETD uses these funds to balance the annual budget, as STA revenues are eligible for all operating categories.

Congestion Mitigation and Air Quality (CMAQ)

The State apportions Federal CMAQ funding for projects that will contribute to meeting the attainment of national ambient air quality standards for ozone and/or carbon monoxide in Clean Air Act non-attainment areas. The Kern Council of Governments (Kern COG) is responsible to select and prioritize projects for funding. In consultation with the State for this program, GETD uses CMAQ funds for capital and operating projects that support the program goals including the purchase of vehicles that have fewer emissions.

State Transportation Improvement Program (STIP)-Transportation Enhancement (TE)

The State Transportation Improvement Program (STIP) is a multi-year capital improvement program of transportation projects on and off the State Highway System, funded with revenues from the State Highway Account and other funding sources. STIP programming generally occurs every two years. The programming cycle begins with the release of a proposed fund estimate in July of odd-numbered years, followed by California Transportation Commission (CTC) adoption of the fund estimate in August (odd years). The fund estimate serves to identify the amount of new funds available for the programming of transportation projects. After adopting the fund estimate, Caltrans and the regional planning agencies prepare transportation improvement plans for submittal by December 15 (odd years). Caltrans prepares the Interregional Improvement Plan (IIP) and regional agencies prepare Regional Improvement Plans (RIP). Public hearings are held in January (even years) in both northern and southern California. The STIP is adopted by the CTC by April (even years). Transportation Enhancement (TE) projects are a subset of the STIP and are programmed as regional project enhancements for roadway segments including improved pedestrian facilities and aesthetic improvements.

Proposition 1B

In November 2006, California voters approved the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 to authorize \$19.925 billion of state general obligation bonds for specified purposes. GETD receives funding for capital projects under two of these categories: The Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) and the Transit System Safety, Security, and Disaster Response Account (TSSSDRA).

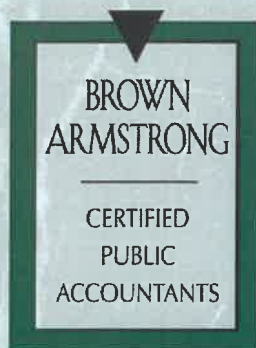
Bus Advertising

GETD currently contracts out all of the sales of advertising space on GETD's fleet and facilities. GETD staff will also pursue in-kind partnerships for advertising with applicable partners.

Other

GETD is pursuing optional funding sources that would assist with operating or capital improvements. GETD will continue to pursue Public/Private Partnership (PPP) and sponsorships for specific operations assistance. Examples of this include maintaining agreements with school districts, secondary education districts, and local governments to develop agreements for service and purchase of discounted monthly passes for retail sale to the public. GETD anticipates expanding PPP opportunities to fully fund specific public transportation support services in downtown Bakersfield.

Compliance Reports



BROWN ARMSTRONG

Certified Public Accountants

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
of the Golden Empire Transit District
Bakersfield, California

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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 the Golden Empire Transit District (the District) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, others within the District, and the grant oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2020



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Directors
of the Golden Empire Transit District
Bakersfield, California

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Report on Compliance for Each Major Federal Program

We have audited the Golden Empire Transit District's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District 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 fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District'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 the District'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.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2020

**BROWN
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**CERTIFIED
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ACCOUNTANTS**

BROWN ARMSTRONG

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH THE STATUTES, RULES, AND REGULATIONS
OF THE CALIFORNIA TRANSPORTATION DEVELOPMENT ACT
AND THE ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF
THE TRANSPORTATION COMMISSION**

To the Board of Directors
of the Golden Empire Transit District
Bakersfield, California

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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 the Golden Empire Transit District (the District) as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 30, 2020.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by the District were made in accordance with the allocation instructions and resolutions of the District, and in conformance with the statutes, rules, and regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to the District. In connection with our audit, nothing came to our attention that caused us to believe the District failed to comply with the statutes, rules, and regulations of the California Transportation Development Act and the allocation instructions and resolutions of the Transportation Commission. 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.

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

Other Matters

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State of California as instructed by statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program. These funds are available to the California

Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

During the fiscal year ended June 30, 2020, the District earned interest of \$536 on deposits of PTMISEA funds. As of June 30, 2020, PTMISEA funds received and expended were verified in the course of our audit as follows:

Schedule of PTMISEA Proposition 1B Funds For the Year Ended June 30, 2020	
Description	Amount
Balance - Beginning of Year	\$ 4,634,274
Revenue:	
Receipts Deposited	1,938,119
Transfer	712,973
Interest Accrued through June 30, 2020	536
Expenses:	
PTMISEA Related Expenses	(2,065,268)
Balance - End of Year	\$ 5,220,634
Reconciliation to the Financial Statements	Amount
Advances on Grants:	
PTMISEA Proposition 1B Funds	\$ 5,220,634
Other Advances on Grants	4,233,250
Total Advances on Grants	\$ 9,453,884

The results of our tests indicated that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

Purpose of this Report

The purpose of this report is solely to describe the scope of our internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

The report is intended for the information of management, the Board of Directors, the State Controller's Office, the U.S. Department of Transportation, and officials of applicable grantor agencies. However, this report is a matter of public record and its distribution is not limited.

Bakersfield, California
October 30, 2020

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ACCOUNTANCY CORPORATION

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Directors
of the Golden Empire Transit District
Bakersfield, California

Report on Compliance with Transportation Development Act Requirements

We have audited the Golden Empire Transit District's (the District) compliance with Transportation Development Act (TDA) requirements that funds allocated to and received by the District were expended in conformance with applicable statutes, rules, and regulations of the TDA and the allocation instructions and resolutions of the Transportation Commission as required by Section 6667 of Title 21, Division 3, Chapter 2, Article 5.5 of the California Code of Regulations during the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Report on Public Transportation Modernization, Improvement, and Service Enhancement Account

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

In November 2006, California voters passed a bond measure enacting the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B). Of the \$19.925 billion of state general obligation bonds authorized, \$4 billion was set aside by the State as instructed by the statute as the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA).

Additionally, Section 8879.23 (h) directs that \$1 billion dollars be deposited in the Transit System Safety, Security, and Disaster Response Account. This section further directs that \$100 million dollars be made available upon appropriation by the legislature to entities for eligible transit system safety, security, and disaster response projects (Office of Homeland Security (OHS)). These funds are available to the California Department of Transportation for intercity rail projects and to transit operations in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement.

As of June 30, 2020, all Proposition 1B funds received and expended were verified in the course of our current and previous audits as follows:

Schedule of PTMISEA Proposition 1B Funds For the Year Ended June 30, 2020	
Description	Amount
Balance - Beginning of Year	\$ 4,634,274
Revenue:	
Receipts Deposited	1,938,119
Transfer	712,973
Interest Accrued through June 30, 2020	536
Expenses:	
PTMISEA Related Expenses	(2,065,268)
Balance - End of Year	\$ 5,220,634
Reconciliation to the Financial Statements	Amount
Advances on Grants:	
PTMISEA Proposition 1B Funds	\$ 5,220,634
Other Advances on Grants	4,233,250
Total Advances on Grants	\$ 9,453,884

Opinion on Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the District for the year ended June 30, 2020.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
October 30, 2020

**GOLDEN EMPIRE TRANSIT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- | | |
|--|---------------|
| • Material weaknesses identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- | | |
|--|---------------|
| • Material weaknesses identified? | No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

Federal Transit Cluster – CFDA #20.500	Federal Transit Cluster
Federal Transit Cluster – CFDA #20.507	Capital Investment Grants

Dollar threshold used to distinguish between Type A and Type B? \$750,000

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

There were no prior year findings.