

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
Article 8, Section 99400(c) Public Utilities Code

Financial Statements

Fiscal Year Ended June 30, 2014

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
Article 8, Section 99400(c) Public Utilities Code

Fiscal Year Ended June 30, 2014

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Board of Commissioners
Ventura County Transportation Commission
Ventura, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 8, Section 99400(c) funds (TDA Fund) of the City of Thousand Oaks, California (City) as of and for the fiscal year ended June 30, 2014, and the related notes to the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Emphasis of Matters

As discussed in Note 1, the financial statements present only the TDA Fund of the City and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Fund of the City as of June 30, 2014, and the change in financial position of the TDA Fund of the City for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2014 on our consideration of the City's internal control over financial reporting for the TDA Fund, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California
December 12, 2014

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
Article 8, Section 99400(c) Public Utilities Code

Statement of Net Position

For the Fiscal Year Ended June 30, 2014

Assets

Current assets:	
Cash and investments (Note 3)	\$ 125,724
Interest receivable	3,958
Due from other governments	1,303,855
Other receivables	138,663
Total current assets	<u>1,572,200</u>
Capital Assets:	
Property and equipment, at cost	5,434,863
Less: accumulated depreciation	<u>(1,754,147)</u>
Total capital assets	<u>3,680,716</u>
Non-current assets:	
OPEB assets, net	<u>10,042</u>
Total non-current assets	<u>10,042</u>
Total assets	<u>5,262,958</u>

Liabilities

Current liabilities:	
Accounts payable	266,022
Compensated absences	11,200
Unearned revenues (Note 5)	1,389,593
Total current liabilities	<u>1,666,815</u>
Non-current liabilities:	
Compensated absences	<u>4,674</u>
Total non-current liabilities	<u>4,674</u>
Total liabilities	<u>1,671,489</u>

Net Position

Net position:	
Invested in capital assets	3,680,716
Restricted	<u>(89,247)</u>
Total net position	<u>\$ 3,591,469</u>

See accompanying notes to financial statements.

CITY OF THOUSAND OAKS, CALIFORNIA

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Statement of Changes in Net Position

For the Fiscal Year Ended June 30, 2014

Operating revenues:	
Passenger fares for transit services	\$ 368,196
Other revenues	<u>662,990</u>
Total operating revenues	<u>1,031,186</u>
Operating expenses:	
Operations	3,830,109
Depreciation expense	<u>317,766</u>
Total operating expenses	<u>4,147,875</u>
Operating income (loss)	<u>(3,116,689)</u>
Non-operating revenues:	
Local transportation allocation, article 8(c)	1,742,447
FTA federal grants	1,656,667
Interest income	11,336
Other income	<u>37,622</u>
Total non-operating revenue	<u>3,448,072</u>
Change in net position	331,383
Net position at beginning of year, as previously stated	3,278,855
Prior-period adjustment (Note 9)	<u>(18,769)</u>
Net Position at beginning of year, as restated	<u>3,260,086</u>
Net Position at end of year	<u><u>\$ 3,591,469</u></u>

See accompanying notes to financial statements.

CITY OF THOUSAND OAKS, CALIFORNIA

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Statement of Cash Flows For the Fiscal Year Ended June 30, 2014

Cash flow from operating activities:	
Cash received from transit services	\$ 368,196
Cash received from other operating income	662,990
Cash paid for operating costs	<u>(4,222,583)</u>
Net cash used for operating activities	<u>(3,191,397)</u>
Cash flow from noncapital financing activities:	
Cash received from local transportation fund, article 8 (c)	2,479,719
Cash received from FTA federal grant	1,335,811
Cash received from other	<u>37,622</u>
Net cash provided by noncapital financing activities	<u>3,853,152</u>
Cash flow from capital and related financing activities:	
Purchase of capital assets	<u>(748,131)</u>
Net cash used for capital and related financing activities	<u>(748,131)</u>
Cash from investing activities:	
Cash received from interest received from investments	<u>10,753</u>
Net cash provided by investing activities	<u>10,753</u>
Net increase (decrease) in cash and investments	(75,623)
Cash and investments, beginning of year as previously stated	122,406
Prior-period adjustment (Note 9)	<u>78,941</u>
Cash and investments, beginning of year as restated	<u>201,347</u>
Cash and investments, end of year	<u>\$ 125,724</u>

See accompanying notes to the financial statements.

CITY OF THOUSAND OAKS, CALIFORNIA

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Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014

Reconciliation of Operating Loss to Net Cash
Used for Operating Activities

Operating income (loss)	<u>\$ (3,116,689)</u>
Adjustments to reconcile operating income (loss) to net cash used for operating activities:	
Depreciation expense	317,766
Changes in operating assets and liabilities:	
Decrease/(increase) in OPEB assets, net	(308)
Increase/(decrease) in accounts payable	(391,633)
Increase/(decrease) in compensating absences	<u>(533)</u>
Total adjustments	<u>(74,708)</u>
Net cash used for operating activities	<u>\$ (3,191,397)</u>

Non-cash investing, capital, and financing activities:

The local transportation development act fund had no non-cash financing activity in fiscal year 2013-2014.

See accompanying notes to the financial statements.

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
Article 8, Section 99400(c) Public Utilities Fund

Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(1) General Information

The financial statements are intended to reflect the financial position and changes in financial position for the Article 8, Section 99400(c) Local Transportation Development Act Fund (TDA Fund) of the City of Thousand Oaks, California (City) only.

Pursuant to Section 99400(c) of the California Public Utilities Code, Article 8 monies may be used only for facilities provided for the exclusive use of transportation services, including the planning, acquisition of real property, construction of facilities and buildings, purchase and replacement of vehicles, and system operation, maintenance, and repair. Funding for this program was authorized by the Ventura County Transportation Commission (VCTC).

(2) Summary of Significant Accounting Policies

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City accounts for the activity of the Article 8, Section 99400(c) funds in its TDA Fund, which is an Enterprise Fund in accordance with the requirements of Public Utilities Code Section 99243. Enterprise Funds are used to account for "business-type activities" similar to those found in the private sector such as services primarily funded through user charges.

Measurement Focus and Basis of Accounting

Enterprise Funds are accounted for using the accrual basis of accounting. The revenues are recognized in the accounting period when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

The Fund applies pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

CITY OF THOUSAND OAKS, CALIFORNIA

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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(2) **Summary of Significant Accounting Policies (Continued)**

Revenue Recognition

Recognition of revenues arising from nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by the City.

For the City, funds received under Transportation Development Act (TDA) Article 8, Section (c) of the Public Utilities Code possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 8, Section 99400(c) are recognized in when related costs have been incurred. An unearned revenue arises when grant receipts are collected in excess of reimbursable costs incurred.

Fund operating revenues, such as passenger fares, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

Net Position

The components of net position reflect the component classifications described below.

- *Net Investment in Capital Assets* – this includes capital assets, net of depreciation, reduced by the outstanding balances of bonds and notes, if any, that are attributable to the acquisition, construction or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources, if any, should also be included in this component of net position.
- *Restricted* – this includes assets, mainly cash and investments, bound by constraints on resources that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.
- *Unrestricted* – includes the remaining balance of the net amount of assets, deferred outflows of resources that are not included in the determination of net investment in capital or the restricted components of net position.

It is the City's policy that restricted resources will be applied first, followed by unrestricted resources, in the absence of a formal policy adopted by the City Council.

CITY OF THOUSAND OAKS, CALIFORNIA

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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(2) Summary of Significant Accounting Policies (Continued)

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 amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Cash and Investments

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The TDA Fund's cash and investments as of June 30, 2014 was \$125,724.

The TDA Fund's cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the TDA Fund are those of the City and are included in the City's basic financial statements.

See the City's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk and concentration risk.

(4) Capital Assets

Capital assets are recorded at cost and depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(4) Capital Assets (Continued)

Depreciation of capital assets in service is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City assigned useful lives listed below to capital assets.

Buildings	50 years
Equipment	3-15 years
Improvements other than buildings	20 years

Capital assets consisted of the following June 30, 2014:

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
Capital assets not being depreciated:				
Construction-in-progress	\$ 1,410,397	\$ 282,790	(\$ 253,074)	\$ 1,440,113
Total capital assets not being depreciated	1,410,397	282,790	(253,074)	1,440,113
Capital assets being depreciated:				
Buildings	\$ 30,230	\$ -	\$ -	\$ 30,230
Equipment	2,738,883	168,569	-	2,907,452
Improvements other than buildings	507,222	549,846	-	1,057,068
Total capital assets being depreciated	3,276,335	718,415	-	3,994,750
Less accumulated depreciation for:				
Buildings	(6,071)	(604)	-	(6,675)
Equipment	(1,363,563)	(292,005)	-	(1,655,568)
Improvements other than buildings	(66,747)	(25,157)	-	(91,904)
Total Accumulated Depreciation	(1,436,381)	(317,766)	-	(1,754,147)
Net Capital Assets	\$ 3,250,351	\$ 683,439	(\$ 253,074)	\$ 3,680,716

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(5) Unearned Revenue

TDA funds allocated to the City by VCTC for transportation services are considered earned when they are properly spent for the specific projects authorized. Allocations and any interest received, but not used are recorded as unearned revenue. In addition unearned revenue includes amounts due from VCTC that were not collected within the City's availability period. The balance of unearned revenue as of June 30, 2014 consists of the following:

Unearned revenue at July 1, 2013	\$ 652,320
Grant receipts from VCTC	4,047,973
Funds reprogrammed from TDA 8(c) to TDA 8(a)	(1,568,253)
Revenue recognized	<u>(1,742,447)</u>
Unearned Revenue as of June 30, 2014	<u>\$ 1,389,593</u>

(6) Transportation Development Act Compliance Requirements

The Local Transportation Development Act Fund is subject to the provisions pursuant to Section 6634 of the California Code of Regulation and Section 99268.5(c) of the Public Utilities Code.

A. Section 6634

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

During the fiscal year 2013-2014 the funds received from the Local Transportation Fund and the State Transit Assistance Fund complied with the above provision.

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(6) **Transportation Development Act Compliance Requirements (Continued)**

B. Section 99268.5(c)

Section 99268.5(c) indicates that an operator in Ventura County providing specialized service for elderly and handicapped persons and regular public transportation shall be eligible for Local Transportation Funds if it maintains for the fiscal year, ratio of fare revenue to operating costs at least equal to 10.00% and 20.00%, respectively or collectively. During the year ended June 30, 2014, the City's farebox recovery ration was collected as follows:

	<u>Regular Public Transportation</u>	<u>Specialized Services</u>
Adjusted passenger fares	\$ 176,681	\$ 183,030
Other revenues or adjustments	97,706	27,344
Total	<u>274,387</u>	<u>210,374</u>
Operating Expenses	1,905,455	2,175,860
Less Depreciation and Unallowed Costs	(533,521)	(251,843)
Net Adjusted Operating Expenses	<u>\$ 1,371,934</u>	<u>\$ 1,924,017</u>
Total Fare Ratio	<u>20%</u>	<u>11%</u>
Total Fare Ratio Pursuant to PUC Section 99268.5(5)	<u>20%</u>	<u>10%</u>

The fare ratio requirement was met. For purposes of the fare ratio calculation, only the expenses of the City's regular public transportation and specialized services were included in the operating expenses.

(7) **Restrictions**

Funds received pursuant to the California Public Utilities Code §99400(C) (TDA Article 8, Section(c)) may only be used for facilities provided for exclusive use of transportation services, including the planning, acquisition of real property, construction of facilities and buildings, purchase and replacement of vehicles, and system operation, maintenance, and repair.

CITY OF THOUSAND OAKS, CALIFORNIA

Local Transportation Development Act Fund
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Notes to Financial Statements

Fiscal Year Ended June 30, 2014

(8) Contingencies

See the City's basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

(9) Prior-Period Adjustment

The fund balance as of June 30, 2014 was restated to reflect adjustments arising from the City's correction to exclude Fund 652 from the Local Transportation Development Act Fund. This resulted in changes to the following beginning balances: an increase to cash and investments in the amount of \$78,941, a decrease to other receivables in the amount of \$127,324, and a decrease to accounts payable in the amount of \$29,614. This resulting in a net decrease to net position in the amount of \$18,769.



Board of Commissioners
Ventura County Transportation Commission
Ventura, California

**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**

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 Local Transportation Development Act Fund pursuant to Article 8(c) (TDA Fund) of the City of Thousand Oaks, California (City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City's TDA Fund financial statements, and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 financial statements of the TDA Fund of the City are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including §6666 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6666 of Part 21 of the California Code of Regulations.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, flowing style.

Lake Forest, California
December 12, 2014