

VENTURA COUNTY TRANSPORTATION COMMISSION

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

Financial Statements

Fiscal Year Ended June 30, 2014

VENTURA COUNTY TRANSPORTATION COMMISSION

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 Ventura County Transportation Commission (Commission) 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 Commission and do not purport to, and do not, present fairly the financial position of the Commission, 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 Commission as of June 30, 2014, and the change in financial position of the TDA Fund of the Commission 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 10, 2014 on our consideration of the Commission'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 Commission'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 10, 2014

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Statement of Net Position

June 30, 2014

Assets

Cash and investments (Note 3)	\$ 684,601
Accounts receivable	8,808
Interest receivable	1
Due from government	<u>164,847</u>
Total assets	<u>858,257</u>

Liabilities

Accounts payable	\$ 686,999
Due to governmental agencies	50,722
Unearned revenues (Note 4)	<u>120,536</u>
Total liabilities	<u>858,257</u>

Net position

Restricted for transportation	<u>-</u>
Total net position	<u>\$ -</u>

See accompanying notes to financial statements.

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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	<u>\$ 1,383,076</u>
Total operating revenues	<u>1,383,076</u>
Operating expenses:	
Operations	<u>9,117,919</u>
Total operating expenditures	<u>9,117,919</u>
Operating income (loss)	<u>(7,734,843)</u>
Non-operating revenues:	
FTA grants	2,382,048
Local transportation allocation, article 8(c)	1,433,488
State transit assistance funds	3,027,728
Local matching revenues	710,516
Interest income	217
Other income	<u>180,846</u>
Total non-operating revenues	<u>7,734,843</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

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

Cash flow from operating activities:	
Cash received from passenger fares	\$ 1,448,907
Cash paid for operating costs, net of support	<u>(8,969,666)</u>
Net cash used for operating activities	<u>(7,520,759)</u>
Cash flow from noncapital financing activities:	
Cash received from local transportation fund, article 8 (c)	1,487,808
Cash received from FTA federal grant	2,634,628
Cash received from state transit assistance	3,027,728
Cash received from local revenues	733,828
Cash received from other	<u>182,736</u>
Net cash provided by noncapital financing activities	<u>8,066,728</u>
Cash from investing activities:	
Cash received from interest received from investments	<u>216</u>
Net cash provided by investing activities	<u>216</u>
Net increase (decrease) in cash and investments	546,185
Cash and investments, beginning of year	<u>138,416</u>
Cash and investments, end of year	<u>\$ 684,601</u>

See accompanying notes to the financial statements.

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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>\$ (7,734,843)</u>
Changes in operating assets and liabilities	
Decrease/(increase) in accounts receivable	(1,283)
Increase/(decrease) in accounts payable	<u>215,367</u>
Total adjustments	<u>214,084</u>
Net cash used for operating activities	<u>\$ (7,520,759)</u>

See accompanying notes to the financial statements.

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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 Ventura County Transportation Commission (Commission) 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.

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

Fund Accounting

The accounts of the Commission 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 Commission accounts for the activity of the Article 8, Section 99400(c) funds in its General Fund.

Measurement Focus and 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.

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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 Commission.

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 Commission's policy that restricted resources will be applied first, followed by unrestricted resources, in the absence of a formal policy adopted by the Board of Directors.

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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 Commission 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 \$684,601.

The TDA Fund's cash is deposited in the Commission'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 Commission and are included in the Commission's basic financial statements.

See the Commission'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) **Unearned Revenues**

TDA funds allocated to the Commission 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 revenues. The balance of unearned revenues as of June 30 consists of the following:

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Fiscal Year Ended June 30, 2014

(4) Unearned Revenues (Continued)

Unearned revenues at July 1, 2013	\$ 153,880
VISTA grant receipts	1,250,682
Revenue recognized	<u>(1,284,026)</u>
Unearned revenues at June 30, 2014	<u>\$ 120,536</u>

(5) 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.

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 20.00%.

Fares	<u>\$ 2,093,592</u>
Operating Expenses	\$ 9,117,919
Less Depreciation	<u>-</u>
Net Adjusted Operating Expenses	<u>\$ 9,117,919</u>
Total Fare Ratio	<u>23%</u>
Total Fare Ratio Pursuant to: PUC Section 99268.5(5)	10%
PUC Section 99268.5(3)	20%

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Notes to Financial Statements

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(5) Transportation Development Act Compliance Requirements (Continued)

During the fiscal year 2013-2014, the Commission maintained a ratio of fare revenues to operating costs of 23%. Since the ratio exceeded the minimum ratios of 10.0% and 20.0%, the commission is in compliance with PUC Sections 99268.5 and 99268.3.

(6) 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.

(7) Contingencies

See the Commission'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.

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 Ventura County Transportation Commission (Commission), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Commission's TDA Fund financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Commission'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 Commission 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.



Lake Forest, California
December 10, 2014