

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund
Public Transportation Modernization, Improvement, and
Service Enhancement Account (PTMISEA)

Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Fiscal Years Ended June 30, 2017 and 2016

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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 Proposition 1B Fund – Public Transportation Modernization, Improvement, and Service Enhancement Account ("PTMISEA") of the City of Ojai, California ("City"), as of and for the fiscal years ended June 30, 2017 and 2016, 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 Proposition 1B Fund of the City and do not purport to, and do not present fairly, the financial position of the City as of June 30, 2017 and 2016, 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 Proposition 1B Fund of the City as of June 30, 2017 and 2016 and the change in financial position of the Proposition 1B Fund of the City for the fiscal year then ended in accordance 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 19, 2017 on our consideration of the City's internal control over financial reporting for the Proposition 1B 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 19, 2017

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Comparative Statement of Net Position

June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments (Note 3)	<u>\$ 252,951</u>	<u>\$ 252,128</u>
Total assets	<u>\$ 252,951</u>	<u>\$ 252,128</u>
<u>Liabilities and net position</u>		
Unearned revenue (Note 4)	<u>\$ 249,910</u>	<u>\$ 249,910</u>
Total liabilities	<u>249,910</u>	<u>249,910</u>
Restricted	<u>3,041</u>	<u>2,218</u>
Total net position	<u>3,041</u>	<u>2,218</u>
Total liabilities and net position	<u>\$ 252,951</u>	<u>\$ 252,128</u>

See accompanying notes to financial statements

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Comparative Statement of Changes in Net Position

Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
PTMISEA allocation	\$ -	\$ -
OES allocation	<u>-</u>	<u>1,694</u>
Total operating revenues	<u>-</u>	<u>1,694</u>
Operating expenses:		
Operations	<u>-</u>	<u>1,694</u>
Total operating expenses	<u>-</u>	<u>1,694</u>
Operating income (loss)	<u>-</u>	<u>-</u>
Non-operating revenues:		
PTMISEA interest allocation (Note 4)	643	1,137
OES interest allocation (Note 4)	<u>180</u>	<u>326</u>
Total non-operating revenues	<u>823</u>	<u>1,463</u>
Non-operating expenses:		
Interest expense	<u>-</u>	<u>-</u>
Total non-operating expenses	<u>-</u>	<u>-</u>
Change in net position	823	1,463
Net position at beginning of year	<u>2,218</u>	<u>755</u>
Net position at end of year	<u>\$ 3,041</u>	<u>\$ 2,218</u>

See accompanying notes to financial statements

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flow from operating activities:		
Cash paid for operating costs, net of support	<u>\$ -</u>	<u>\$ (1,694)</u>
Net cash used for operating activities	<u>-</u>	<u>(1,694)</u>
Cash flow from noncapital financing activities:		
Cash received from PTMISEA	-	-
Cash received from OES	<u>-</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Cash received from interest received from investments	<u>823</u>	<u>1,463</u>
Net cash provided by investing activities	<u>823</u>	<u>1,463</u>
Net increase (decrease) in cash and investments	823	(231)
Cash and investments beginning of year	<u>252,128</u>	<u>252,359</u>
Cash and investments, end of year	<u>\$ 252,951</u>	<u>\$ 252,128</u>

See accompanying notes to the financial statements.

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Comparative Statement of Cash Flows For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities		
Operating income (loss)	<u>\$ -</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net Cash provided by (used for) operating activities:		
Increase/(decrease) in unearned revenue	<u>-</u>	<u>(1,694)</u>
Total adjustments	<u>-</u>	<u>(1,694)</u>
Net cash used for operating activities	<u><u>\$ -</u></u>	<u><u>\$ (1,694)</u></u>

Noncash investing, capital, and financing activities:

The Prop 1B fund had no non-cash financing activity in fiscal years 2015-16 and 2016-17.

See accompanying notes to the financial statements.

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(1) General Information

The financial statements are intended to reflect the financial position and changes in financial position for the Proposition 1B Fund – Public Transportation Modernization, Improvement, and Service Enhancement Account (“PTMISEA”) of the City of Ojai, California (the “City”) only.

In November 2006, California voters approved Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act, which authorized the State of California to sell \$20 billion in general obligation bonds, of which \$4 billion would be allocated to PTMISEA. Monies from PTMISEA are for transportation infrastructure, including grants for transit system safety, security, and disaster response projects. On October 4, 2012, the Ventura County Transportation Commission (“VCTC”) programed \$195,000 in PTMISEA grant funds it received from the State Controller’s Office to the City for the Ojai Replacement Bus Purchase Project which was received in April 2014. Also, in August 2014 the California Office of Emergency Services (“Cal OES”) awarded an additional \$56,604 for public work yard gates and fencing.

(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 PTMISEA funds within its Transit Fund, which is a Proprietary Fund. Proprietary 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

Proprietary funds financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting.

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

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

Measurement Focus and Basis of Accounting (Continued)

Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

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 Proposition 1B possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under Proposition 1B are recognized in the period when all eligibility requirements have been met.

An unearned revenue arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenses. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet, and revenue is recognized.

Net Position

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

- *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.

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

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

Net Position (Continued)

- *Unrestricted* – this 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.

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 Proposition 1B Fund's cash and investments as of June 30, 2017 and 2016 was \$252,951 and \$252,128, respectively.

The Proposition 1B 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 Proposition 1B 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.

CITY OF OJAI, CALIFORNIA

Proposition 1B Fund Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA)

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(4) Unearned Revenue

Proposition 1B funds (PTMISEA and Cal OES grants) allocated to the City are considered earned when they are properly spent for the specific projects authorized. Allocations received but not used are recorded as unearned revenue. The balance of unearned revenue as of June 30, 2017 consists of the following:

	<u>PTMISEA</u>	<u>Cal OES</u>	<u>Total</u>
Unearned revenue at July 1, 2016	\$ 195,000	\$ 54,910	\$ 249,910
Grant receipts - PTMISEA	-	-	-
Grant receipts - Cal OES	-	-	-
Interest income - PTMISEA*	-	-	-
Interest income - Cal OES*	-	-	-
Revenue recognized	<u>-</u>	<u>-</u>	<u>-</u>
Unearned revenue as of June 30, 2017	<u>\$ 195,000</u>	<u>\$ 54,910</u>	<u>\$ 249,910</u>

* : Interest is being earned and allocated to the fund. The City is recognizing interest income and the City is accounting for it in the fund's restricted net position.

(5) Restrictions

Funds received pursuant to Proposition 1B – PTMISEA from VCTC may only be used for the purchase of one medium duty transit trolley bus. In addition, funds received from Cal OES may only be used for public work yard gates and fencing.

(6) 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.



Board of Commissioners
Ventura County Transportation Commission
Ventura, California

**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**

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 Proposition 1B Fund – Public Transportation Modernization, Improvement, and Service Enhancement Account (“PTMISEA”) of the City of Ojai, California (“City”), as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise City’s Proposition 1B Fund financial statements, and have issued our report thereon dated December 19, 2017.

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 the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Proposition 1B 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 19, 2017