

CITY OF FILLMORE, CALIFORNIA

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

Financial Statements

Fiscal Years Ended June 30, 2015 and 2014

CITY OF FILLMORE, CALIFORNIA

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

Fiscal Years Ended June 30, 2015 and 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 Fillmore, California (City) as of and for the fiscal years ended June 30, 2015 and 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, 2015 and 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, 2015 and 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 Matters

Our audit was conducted for the purpose of forming opinions on financial statements of the TDA Fund of the City. The *Schedule of Revenues, Expenditures and Changes in Net Position – Budget and Actual* listed as supplemental data in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements for the TDA Fund of the City. This supplemental data has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2015 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.

Conrad LLP

Lake Forest, California
December 16, 2015

CITY OF FILLMORE, CALIFORNIA

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Comparative Statements of Net Position

June 30, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
Cash and investments (Note 3)	\$ -	\$ 6,447
Total assets	-	6,447
<u>Liabilities and net position</u>		
Other liability	-	-
Total liabilities	-	-
Net position (restricted)	\$ -	\$ 6,447

See accompanying notes to financial statements

CITY OF FILLMORE, CALIFORNIA

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

Comparative Statement of Revenues, Expenses and Changes in Net Position

Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Passenger fares for transit services	\$ <u>-</u>	\$ <u>-</u>
Total Operating revenues	<u>-</u>	<u>-</u>
Operating expenses:		
Purchased services - VISTA	<u>495,429</u>	<u>416,894</u>
Total operating expenses	<u>495,429</u>	<u>416,894</u>
Operating loss	(495,429)	(416,894)
Non-operating revenues:		
Local transportation allocation - article 8(c)	495,429	416,894
Local match-excess distribution	<u>-</u>	<u>6,447</u>
Total non-operating revenue	<u>495,429</u>	<u>423,341</u>
Change in net position	<u>-</u>	<u>6,447</u>
Net position at beginning of year as previously stated	6,447	-
Prior period adjustment (Note 7)	<u>(6,447)</u>	<u>-</u>
Net position at beginning of year as restated	<u>-</u>	<u>-</u>
Net position at end of year	\$ <u>-</u>	\$ <u>6,447</u>

See accompanying notes to financial statements

CITY OF FILLMORE, CALIFORNIA

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

Comparative Statement of Cash Flows Fiscal Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flow from operating activities:		
Cash received from passenger fares	\$ -	\$ -
Cash aid for operating costs, net of support	<u>(495,429)</u>	<u>(416,894)</u>
Net cash used for operating activities	<u>(495,429)</u>	<u>(416,894)</u>
Cash flow from noncapital financing activities:		
Cash received from local transportation fund, article 8 (c)	495,429	416,894
Cash received from local match-excess distribution	<u>-</u>	<u>6,447</u>
Net cash provided from noncapital financing activities	<u>495,429</u>	<u>423,341</u>
Net increase (decrease) in cash and cash equivalents	-	6,447
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 6,447</u>

See accompanying notes to the financial statements.

CITY OF FILLMORE, CALIFORNIA

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Comparative Statement of Cash Flows
Fiscal Years Ended June 30, 2015 and 2014

Reconciliation of Operating Loss to Net Cash
Used for Operating Activities

	<u>2015</u>	<u>2014</u>
Operating income (loss)	<u>\$ (495,429)</u>	<u>\$ (416,894)</u>
Changes in operating assets and liabilities		
Increase/(decrease) in other liability	<u>-</u>	<u>-</u>
Total adjustments	<u>-</u>	<u>-</u>
Net cash used for operating activities	<u>\$ (495,429)</u>	<u>\$ (416,894)</u>

See accompanying notes to the financial statements.

CITY OF FILLMORE, CALIFORNIA

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Article 8, Section 99400(c) Public Utilities Fund

Notes to Financial Statements

Fiscal Years Ended June 30, 2015 and 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) Transportation Development Act Local Transportation Fund (TDA Fund) of the City of Fillmore, California (City) only.

Pursuant to Section 99400(c) of the California Public Utilities Code, Article 8 monies may be used only for public transportation or for transportation services for any group, as determined by the transportation planning agency, requiring special transportation assistance. 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.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2015 and 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. A deferred inflow of resources 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.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2015 and 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, 2015 and 2014 was \$0 and \$6,447, respectively.

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) Transportation Development Act Compliance Requirements

The Transportation Development Act Local Transportation 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.

CITY OF FILLMORE, CALIFORNIA

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Notes to Financial Statements

Fiscal Years Ended June 30, 2015 and 2014

(4) Transportation Development Act Compliance Requirements (Continued)

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 2014-2015 the funds received from the Local Transportation Fund complied with the above provision.

(5) Restrictions

Funds received pursuant to the California Public Utilities Code §99400(C) (TDA Article 8, Section(c)) may only be used for public transportation or for transportation services for any group, as determined by the transportation planning agency, requiring special transportation assistance.

(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.

(7) Prior-Period Adjustment

The fund balance as of June 30, 2015 was restated to reflect adjustment arising from the overstatement of prior-year revenues in the amount of \$6,447.



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 Article 8, Section 8(c) Transportation Development Act Local Transportation Fund (TDA Fund) of the City of Fillmore, California (City), as of and for the fiscal years ended June 30, 2015 and 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 16, 2015.

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 §6667 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as items.

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 16, 2015

CITY OF FILLMORE, CALIFORNIA

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

Finding and Recommendation

Fiscal Years Ended June 30, 2015 and 2014

(1) Need to maintain a ratio of fare revenues to operating costs in accordance with the guidelines

Section 99268.5(c) indicates that an operator 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% if serviced in non-urbanized areas. During the Fiscal Year 2014-2015, the fare revenues to operating costs for Valley Express was 8.54%, which was lower than the required ratio. Valley Express provided services for the cities of Fillmore, Santa Paula, and the County unincorporated and all expenses and revenues are recoded at Ventura County Transportation Commission ("Commission").

	<u>FY 2014/2015</u>
Fares	<u>\$ 138,306</u>
Operating Expenses	\$ 1,619,696
Less Depreciation	-
Net Adjusted Operating Expenses	<u>\$ 1,619,696</u>
Total Fare Ratio	<u>8.54%</u>

Recommendation

We recommend that the Commission and the Heritage Valley Policy Advisory Committee (consisting of the cities of Fillmore and Santa Paula and the County of Ventura unincorporated) take the necessary steps to comply with Fare Ratio Pursuant to PUC Section 99268.5(c).