

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

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 East County Transit Alliance Fund ("ECTA Fund") of the City of Thousand Oaks, California, 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 ECTA Fund of the City of Thousand Oaks and do not purport to, and do not present fairly, the financial position of the City of Thousand Oaks 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 ECTA Fund of the City, as of June 30, 2017 and 2016, and the change in financial position of the ECTA Fund of the City for the fiscal year then ended in accordance 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 ECTA Fund. The *Schedule of Revenues, Expenditures and Changes in Fund Balances – 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 ECTA Fund. 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 January 29, 2018 on our consideration of the ECTA Fund's internal control over financial reporting 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 the ECTA Fund'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
January 29, 2018

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Comparative Balance Sheet

For the Fiscal Years Ended June 30, 2017 and 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and investments (Note 3)	\$ -	\$ 11,433
Accounts receivable	<u>88,079</u>	<u>128,391</u>
Total assets	<u>\$ 88,079</u>	<u>\$ 139,824</u>
 <u>Liabilities and Fund Balance</u>		
Accounts payable	\$ 65,107	\$ 68,136
Interest payable	39	120
Unearned revenue (Note 4)	7,655	9,155
Due to other funds	<u>111,485</u>	<u>86,554</u>
Total liabilities	<u>184,286</u>	<u>163,965</u>
Restricted for transportation	<u>(96,207)</u>	<u>(24,141)</u>
Total liabilities and fund balance	<u>\$ 88,079</u>	<u>\$ 139,824</u>

See accompanying notes to financial statements

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance

Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues:		
DAR Participation	\$ 441,593	\$ 369,221
County/City Participation	<u>70,709</u>	<u>57,530</u>
Total revenues	<u>512,302</u>	<u>426,751</u>
Expenditures:		
Interest expense	99	267
Construction, maintenance and engineering	<u>584,269</u>	<u>450,625</u>
Total expenditures	<u>584,368</u>	<u>450,892</u>
Net changes in fund balance	(72,066)	(24,141)
Fund balance at beginning of year	<u>(24,141)</u>	<u>-</u>
Fund balance at end of year	<u>\$ (96,207)</u>	<u>\$ (24,141)</u>

See accompanying notes to financial statements

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(1) **General Information**

The East County Transit Alliance Fund ("ECTA Fund") was established effective July 1, 2015 via the Fiscal Agent Agreement to provide inter-city dial-a-ride services between the City of Thousand Oaks ("City") and the participating agencies of the East County Transit Alliance consisting of the City of Moorpark, the City of Simi Valley, and the County of Ventura. The City of Thousand Oaks serves as the fiscal agent of the ECTA Fund and recovers all costs through billing the participating agencies on a per-ride basis, which includes a per-ride administrative overhead charge. The member agencies receive credit for all fares collected.

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

Fund Accounting

The accounts of the ECTA Fund 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 of Thousand Oaks accounts for the activity of the East County Transit Alliance in its ECTA Fund, which is a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 60 days of the end of the fiscal period. Expenditures are generally recorded when a liability is incurred.

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 East County Transit Alliance. 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.

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

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

Revenue Recognition (Continued)

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when the ECTA Fund receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the East County Transit Alliance has a legal claim to the resources, the liability for deferred inflow of resources is removed from the balance sheet, and revenue is recognized.

Fund Equity

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – this includes amounts that can be used only for the specific purposes determined by a formal action of the City Council.
- *Assigned Fund Balance* – this includes amounts that are intended to be used by the ECTA for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – this includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

It is the East County Transit Alliance's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources.

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(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 of Thousand Oaks 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 ECTA Fund's cash and investments as of June 30, 2017 and 2016 was \$0 and \$11,433, respectively.

The ECTA 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 ECTA 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) **Unearned Revenue**

The ECTA Fund maintains an unearned revenue account to account for unused bus tickets sold to MV Transportation. Revenue is recognized as bus tickets are redeemed.

The balance of unearned revenue as of June 30, 2017 consists of the following:

Unearned revenues as of July 1, 2016	\$ 9,155
New tickets issued	30,000
Tickets redeemed	<u>31,500</u>)
Unearned revenues as of June 30, 2017	<u>\$ 7,655</u>

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(5) Transportation Development Act Compliance Requirements

The East County Transit Alliance is subject to the provisions pursuant to Section 6634 of the California Code of Regulation and Section 99268.3 of the Public Utilities Code.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from 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 2016/2017, no State Transit Assistance Funds were received.

B. Section 99268.3

Section 99268.3 indicates that an operator in Ventura County providing regular public transportation shall be eligible for TDA Funds if it maintains for the fiscal year, ratio of fare revenue to operating costs at least equal to 10.00%.

The East County Transit Alliance is subject to the provisions of the California Public Utilities Code §99268.3 and must maintain a minimum fare box recovery ratio of 10.00%. During the year ended June 30, 2017, the ECTA's fare box recovery ratios were calculated as follows:

	<u>County of Ventura</u>	<u>City of Moorpark</u>	<u>City of Simi Valley</u>	<u>City of Thousand Oaks</u>	<u>Total</u>
Passenger fares	\$ 2,456	\$ 14,831	\$ 32,271	\$ 21,151	\$ 70,709
Operating expenses	<u>\$ 19,315</u>	<u>\$ 131,151</u>	<u>\$ 264,026</u>	<u>\$ 169,777</u>	<u>\$584,269</u>
Farebox recovery ratio	<u>12.72%</u>	<u>11.31%</u>	<u>12.22%</u>	<u>12.46%</u>	<u>12.10%</u>

During the fiscal year 2016-2017, the East County Transit Alliance participants maintained a cumulative ratio of fare revenues to operating costs of 12.10%. This consisted of 12.72% for the County of Ventura, 11.31% for the City of Moorpark, 12.22% for the City of Simi Valley, and 12.46% for the City of Thousand Oaks. Since the ratios exceeded the minimum ratio of 10.00%, the East County Transit Alliance is in compliance with PUC Section 99268.3.

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Notes to Financial Statements

Fiscal Years Ended June 30, 2017 and 2016

(6) Restrictions

Funds received from East County Transit Alliance participants consist of TDA 4 or TDA 8(c) funds. Pursuant to the California Public Utilities Code §99400(C) (TDA Article 8(c)) and §99260 (TDA Article 4), such funds may only be used for 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 City of Thousand Oaks 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.

(8) Budgetary Data

The City of Thousand Oaks adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

(9) Stewardship, Compliance and Accountability

At June 30, 2017, the ECTA fund (Fund 121) had a deficit fund balance of \$96,207. This deficit will be eliminated as resources are obtained from revenue. The negative fund balance is due to timing of revenues.

Supplemental Data

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2017

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
DAR Participation	\$ -	\$ -	\$ 441,593	\$ 441,593
County/City Participation	-	-	70,709	70,709
Total revenues	-	-	512,302	512,302
Expenditures:				
Interest expense	-	-	99	(99)
Construction, maintenance and engineering	661,500	858,530	584,269	274,261
Total expenditures	661,500	858,530	584,368	274,162
Net changes in fund balance	<u>\$ (661,500)</u>	<u>\$ (858,530)</u>	<u>\$ (72,066)</u>	<u>\$ 786,464</u>
Fund balance at beginning of year as restated			<u>(24,141)</u>	
Fund balance at end of year			<u>\$ (96,207)</u>	

CITY OF THOUSAND OAKS, CALIFORNIA

East County Transit Alliance

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Year Ended June 30, 2016

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
DAR Participation	\$ -	\$ -	\$ 369,221	\$ 369,221
County/City Participation	-	-	57,530	57,530
Total revenues	-	-	426,751	426,751
Expenditures:				
Interest expense	-	-	267	(267)
Construction, maintenance and engineering	-	657,500	450,625	206,875
Total expenditures	-	657,500	450,892	206,608
Net changes in fund balance	\$ -	\$ (657,500)	\$ (24,141)	\$ 633,359
Fund balance at beginning of year			-	
Fund balance at end of year			\$ (24,141)	

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 East County Transit Alliance Fund ("ECTA Fund") of the City of Thousand Oaks, California, as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the ECTA Fund's financial statements, and have issued our report thereon dated January 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ECTA Fund'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 ECTA Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the ECTA Fund'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 ECTA Fund 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 did not note any 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
January 29, 2018