

**CITY OF THOUSAND OAKS, CALIFORNIA**

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

# CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Fiscal Years Ended June 30, 2016 and 2015

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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 4, Section 99260 funds ("TDA Fund") of the City of Thousand Oaks, California ("City"), as of and for the fiscal years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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 January 30, 2017 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 the City's internal control over financial reporting and compliance.



Lake Forest, California  
January 30, 2017

**CITY OF THOUSAND OAKS, CALIFORNIA**

Transportation Development Act Local Transportation Fund  
Article 4, Section 99620 Public Utilities Code

Comparative Statement of Net Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and investments (Note 3)	\$ 4,973,069	\$ 2,425,671
Interest receivable	7,523	5,040
Due from other governments	117,284	1,205,702
Other receivables	<u>72,798</u>	<u>101,763</u>
Total current assets	<u>5,170,674</u>	<u>3,738,176</u>
Capital assets (Note 4):		
Property and equipment, at cost	7,345,497	7,149,282
Less: accumulated depreciation	<u>(2,551,709)</u>	<u>(1,900,732)</u>
Total capital assets	<u>4,793,788</u>	<u>5,248,550</u>
Non-current assets:		
OPEB assets, net	<u>14,141</u>	<u>12,517</u>
Total non-current assets	<u>14,141</u>	<u>12,517</u>
Total assets	<u>9,978,603</u>	<u>8,999,243</u>
Deferred outflow of resources:		
Deferred pension items	<u>29,320</u>	<u>-</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	453,540	447,892
Compensated absences	13,741	12,202
Unearned revenue (Note 5)	<u>4,462,217</u>	<u>3,314,541</u>
Total current liabilities	<u>4,929,498</u>	<u>3,774,635</u>
Non-current liabilities:		
Compensated absences	7,472	1,972
Net pension liability	<u>269,244</u>	<u>-</u>
Total non-current liabilities	<u>276,716</u>	<u>1,972</u>
Total liabilities	<u>5,206,214</u>	<u>3,776,607</u>
Deferred inflow of resources:		
Deferred pension items	<u>28,894</u>	<u>-</u>
<u>Net Position</u>		
Invested in capital assets	4,793,788	5,248,550
Restricted	<u>(20,973)</u>	<u>(25,914)</u>
Total net position	<u>\$ 4,772,815</u>	<u>\$ 5,222,636</u>

See accompanying notes to financial statements.

## CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
Article 4, Section 99620 Public Utilities Code

Comparative Statement of Changes in Net Position

For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Passenger fares for transit services	\$ 381,228	\$ 393,722
Other revenues	239,980	274,143
Total operating revenues	621,208	667,865
Operating expenses:		
Operations	4,361,708	2,950,857
Depreciation expense	650,977	407,628
Total operating expenses	5,012,685	3,358,485
Operating income (loss)	(4,391,477)	(2,690,620)
Non-operating revenues (expenses):		
Local transportation allocation, Article 4	3,366,344	2,963,882
FTA federal grants	690,251	1,314,025
Interest income	22,762	680
Other income	39,907	43,200
Total non-operating revenue	4,119,264	4,321,787
Income (Loss)	(272,213)	1,631,167
Transfers in from other city funds	114,675	-
Change in net position	(157,538)	1,631,167
Net position at beginning of year, as previously stated	5,222,636	3,591,469
Prior-period adjustment (Note 9)	(292,283)	-
Net position at beginning of year, as restated	4,930,353	3,591,469
Net position at end of year	\$ 4,772,815	\$ 5,222,636

See accompanying notes to financial statements.

## CITY OF THOUSAND OAKS, CALIFORNIA

### Transportation Development Act Local Transportation Fund Article 4, Section 99620 Public Utilities Code

#### Comparative Statement of Cash Flows For the Fiscal Years Ended June 30, 2016 and 2015

	2016	2015
Cash flow from operating activities:		
Cash received from transit services	\$ 381,228	\$ 393,722
Cash received from other operating income	239,980	274,143
Cash paid for operating costs	(4,362,910)	(2,773,163)
Net cash used for operating activities	(3,741,702)	(2,105,298)
Cash flow from noncapital financing activities:		
Cash received from local transportation fund, Article 4	4,514,020	4,888,831
Cash received from FTA federal grant	1,807,634	1,449,078
Transfers in from other City funds	114,675	-
Cash received from other	39,907	43,200
Net cash provided by noncapital financing activities	6,476,236	6,381,109
Cash flow from capital and related financing activities:		
Net purchase of capital assets	(207,415)	(1,975,462)
Net cash used for capital and related financing activities	(207,415)	(1,975,462)
Cash from investing activities:		
Cash received from interest received from investments	20,279	(402)
Net cash used provided (used) by investing activities	20,279	(402)
Net increase in cash and investments	2,547,398	2,299,947
Cash and investments, beginning of year	2,425,671	125,724
Cash and investments, end of year	\$ 4,973,069	\$ 2,425,671

See accompanying notes to the financial statements.

**CITY OF THOUSAND OAKS, CALIFORNIA**

Transportation Development Act Local Transportation Fund  
Article 4, Section 99620 Public Utilities Code

Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating income (loss)	<u>\$(4,391,477)</u>	<u>\$(2,690,620)</u>
Adjustments to reconcile operating income (loss) to net cash used for operating activities:		
Depreciation expense	650,977	407,628
Changes in operating assets and liabilities:		
Decrease/(increase) in OPEB assets, net	(1,624)	(2,475)
Increase/(decrease) in accounts payable	5,648	181,869
Increase/(decrease) in net pension liability, net of deferred outflows and inflows	(12,265)	-
Increase/(decrease) in compensating absences	<u>7,039</u>	<u>(1,700)</u>
 Total adjustments	 <u>649,775</u>	 <u>585,322</u>
 Net cash used for operating activities	 <u><u>\$(3,741,702)</u></u>	 <u><u>\$(2,105,298)</u></u>

Non-cash investing, capital, and financing activities:

The local transportation development act fund had no non-cash financing activity in fiscal years 2014-15 and 2015-16.

See accompanying notes to the financial statements.



# CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

## (1) **General Information**

The financial statements are intended to reflect the financial position and changes in financial position for the Article 4, Section 99260 Transportation Development Act Local Transportation Fund (“TDA Fund”) of the City of Thousand Oaks, California (“City”) only.

Pursuant to Section 99260 of the California Public Utilities Code, Article 4 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 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 4, Section 99260 funds in its Transportation Development Fund, which is an Enterprise Fund. 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

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

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

### Revenue Recognition

Recognition of revenues arising from non-exchange 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 4, Section 99260 of the Public Utilities Code possess the characteristic of a voluntary non-exchange transaction similar to a grant. Revenues under TDA Article 4, Section 99260 are recognized 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* – 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.

# CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
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Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

## (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 Transportation Development Fund's cash and investments as of June 30, 2016 and 2015 were \$4,973,069 and \$2,425,671, respectively.

The Transportation Development 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 Transportation Development 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.

## CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
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### Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

#### (4) Capital Assets (Continued)

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.

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 the useful lives listed below to capital assets.

Buildings and improvements	0-50 years
Equipment	3-15 years
Intangibles	2-50 years

Capital assets consisted of the following June 30, 2016:

	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Capital assets not being depreciated:				
Construction-in-progress	\$ 51,708	\$ -	\$ (43,290)	\$ 8,418
Total capital assets not being depreciated	51,708	-	(43,290)	8,418
Capital assets being depreciated:				
Buildings	97,814	-	-	97,814
Equipment	4,585,895	68,567	-	4,654,462
Improvements other than buildings	2,413,865	170,938	-	2,584,803
Total capital assets being depreciated	7,097,574	239,505	-	7,337,079
Less accumulated depreciation for:				
Buildings	(7,336)	(1,956)	-	(9,292)
Equipment	(1,748,325)	(526,985)	-	(2,275,310)
Improvements other than buildings	(145,071)	(122,036)	-	(267,107)
Total accumulated depreciation	(1,900,732)	(650,977)	-	(2,551,709)
Net capital assets	\$ 5,248,550	\$ (411,472)	\$ (43,290)	\$ 4,793,788

**CITY OF THOUSAND OAKS, CALIFORNIA**

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

**(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, if any, that were not collected within the City's availability period. The balance of unearned revenue as of June 30, 2016, consists of the following:

	<u>Article 4</u>
Unearned revenue at July 1, 2015	\$3,314,541
Grant receipts from VCTC	4,514,020
Revenue recognized	<u>(3,366,344)</u>
Unearned revenue as of June 30, 2016	<u>\$ 4,462,217</u>

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

The Local Transportation Development Act Fund is subject to the provisions pursuant to Sections 6633.2 and 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 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 years 2015-16 the funds received from the Local Transportation Fund and State Transit Assistance Fund complied with the above provision.

**CITY OF THOUSAND OAKS, CALIFORNIA**

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

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

**B. Section 6633.2 and 99268.5**

Section 6633.2 indicates that an operator in providing transit services in urbanized areas 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%.

Section 99268.5 indicates that an operator 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%. During the year ended June 30, 2016, the City's farebox recovery ratio was collected as follows:

	<u>Regular Public Transportation</u>	<u>Specialized Services</u>
Passenger fares	\$ 166,002	\$ 226,659
Other revenues or adjustments	293,855	-
Total	<u>459,857</u>	<u>226,659</u>
Operating Expenses	2,382,097	2,203,059
Less depreciation and unallowed costs	(304,875)	(125,439)
Net adjusted operating expenses	<u>\$ 2,077,222</u>	<u>\$ 2,077,620</u>
Total fare ratio	<u>22%</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 §99260 (TDA Article 4) 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.

# CITY OF THOUSAND OAKS, CALIFORNIA

Transportation Development Act Local Transportation Fund  
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

**(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, 2015 was restated to reflect the GASB 68 adjustments arising from the net pension liability in the amount of (\$281,083) and to reflect vehicle salvage proceeds incorrectly allocated to the transportation fund in the amount of (\$11,200).

See the City's basic financial statements for disclosures related to GASB 68 including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.



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 4 Transportation Development Fund of the City of Thousand Oaks, California ("City"), as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise City's Transportation Development Fund financial statements, and have issued our report thereon dated January 30, 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 Transportation Development 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.



Lake Forest, California  
January 30, 2017