

**VENTURA COUNTY TRANSPORTATION COMMISSION**

VCTC Intercity Services

Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

# VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

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 VCTC Intercity Services of Ventura County Transportation Commission ("VCTC") 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 VCTC Intercity Services of VCTC and do not purport to, and do not, present fairly the financial position of VCTC, 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 VCTC Intercity Services of VCTC as of June 30, 2016 and 2015, and the change in financial position of VCTC Intercity Services of VCTC for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2016 on our consideration of VCTC's internal control over financial reporting for VCTC Intercity Services, 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 VCTC's internal control over financial reporting and compliance.



Lake Forest, California  
December 13, 2016

**VENTURA COUNTY TRANSPORTATION COMMISSION**

VCTC Intercity Services

Comparative Statements of Net Position

June 30, 2016 and 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and investments (Note 3)	\$ 208,143	\$ 884,013
Accounts receivable	2,399	2,736
Due from other funds	175,946	119,095
Due from other governments (Note 4)	<u>284,413</u>	<u>129,076</u>
 Total assets	 <u>\$ 670,901</u>	 <u>\$ 1,134,920</u>
 <u>Liabilities</u>		
Accounts payable	\$ 613,973	\$ 601,418
Due to other funds	-	461,827
Due to governmental agencies	-	1,906
Unearned revenue (Note 5)	<u>56,928</u>	<u>69,769</u>
 Total liabilities	 <u>\$ 670,901</u>	 <u>\$ 1,134,920</u>
 <u>Net Position</u>		
Restricted for transportation	<u>-</u>	<u>-</u>
 Total net position	 <u>\$ -</u>	 <u>\$ -</u>

See accompanying notes to financial statements.

## VENTURA COUNTY TRANSPORTATION COMMISSION

### VCTC Intercity Services

#### Comparative Statements of Revenues, Expenses, and Change in Net Position

Fiscal Year Ended June 30, 2016 and 2015

	2016	2015
Operating revenues:		
Passenger fares for transit services	\$ 1,248,653	\$ 1,185,940
Total operating revenues	1,248,653	1,185,940
Operating expenses:		
Operations	7,968,458	7,993,771
Total operating expenses	7,968,458	7,993,771
Operating income (loss)	(6,719,805)	(6,807,831)
Non-operating revenues:		
FTA grants	1,693,789	3,298,649
Proposition 1B funds	326,330	6,008,161
LCTOP funds	295,041	-
State transit assistance funds	4,028,775	4,411,541
Local contribution revenues	1,294,270	1,587,830
Interest income	93	1,195
Other income	35,000	35,000
Total non-operating revenues	7,673,298	15,342,376
Non-operating expenses:		
Capital expenses	953,493	8,534,545
Total non-operating expenses	953,493	8,534,545
Change in net position	-	-
Net position at beginning of year	-	-
Net position at end of year	\$ -	\$ -

See accompanying notes to financial statements.

# VENTURA COUNTY TRANSPORTATION COMMISSION

## VCTC Intercity Services

### Comparative Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Cash received from passenger fares	\$ 1,236,149	\$ 1,252,973
Cash paid for operating costs, net of support	<u>(7,955,903)</u>	<u>(7,392,353)</u>
Net cash used for operating activities	<u>(6,719,754)</u>	<u>(6,139,380)</u>
Cash flow from noncapital financing activities:		
Cash received from FTA grants	1,282,104	3,282,477
Cash received from state transit assistance funds	3,391,002	2,352,981
Cash received from local contribution revenues	1,218,496	1,469,926
Cash to other	<u>152,189</u>	<u>(82,189)</u>
Net cash provided by noncapital financing activities	<u>6,043,791</u>	<u>7,023,195</u>
Cash flow from capital financing activities:		
Payments for capital assets	953,493	8,534,545
Capital expenditures	<u>(953,493)</u>	<u>(8,534,545)</u>
Net cash used by capital financing activities	<u>-</u>	<u>-</u>
Cash flow from investing activities:		
Cash received from interest received from investments	<u>93</u>	<u>198</u>
Net cash provided by investing activities	<u>93</u>	<u>198</u>
Net increase (decrease) in cash and investments	(675,870)	884,013
Cash and investments, beginning of year	<u>884,013</u>	<u>-</u>
Cash and investments, end of year	<u>\$ 208,143</u>	<u>\$ 884,013</u>

See accompanying notes to the financial statements.

# VENTURA COUNTY TRANSPORTATION COMMISSION

## VCTC Intercity Services

### Comparative Statement of Cash Flows

For the Fiscal Year 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>\$ (6,719,805)</u>	<u>\$ (6,807,831)</u>
Changes in operating assets and liabilities		
Decrease/(increase) in accounts receivable	337	(2,736)
Increase/(decrease) in accounts payable	<u>(286)</u>	<u>671,187</u>
Total adjustments	<u>51</u>	<u>668,451</u>
Net cash used for operating activities	<u>\$ (6,719,754)</u>	<u>\$ (6,139,380)</u>

#### NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

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

See accompanying notes to the financial statements.



# VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

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 VCTC Intercity Services of Ventura County Transportation Commission (“VCTC”) only.

Pursuant to Section 99313.3 of the California Public Utilities Code, State Transit Assistance Fund monies may be used for public transportation purposes, including community transit services.

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. During April 2014, VCTC received approval from CalTrans (California Department of Transportation) to reallocate PTMISEA funding for various projects including the VCTC Intercity Services Bus Purchase project.

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

### Fund Accounting

The accounts of VCTC 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. VCTC accounts for the activity of VCTC Intercity Services’ funds in its General Fund.

### Measurement Focus and Basis of Accounting

The revenues are recognized in the accounting period when they are earned and expenses are recognized in the accounting period in which the liability is incurred.

VCTC 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.

# VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

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 nonexchange transactions, which include revenues from taxes, certain grants and contributions, is based on the primary characteristic from which the revenues are received by VCTC.

For VCTC, funds received under Transportation Development Act Article 6.5, Section 99312(c) of the Public Utilities Code possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 6.5, Section 99313 and 99314 and revenues under Proposition 1B are recognized in the period when all eligibility requirements have been met.

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

# VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

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**

VCTC 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 VCTC Intercity Services' cash and investments as of June 30, 2016 and 2015 was \$208,143 and \$884,013, respectively.

The VCTC Intercity Services' cash is deposited in VCTC'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 VCTC Intercity Services are those of VCTC and are included in VCTC's basic financial statements.

See VCTC'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) **Due from Other Governments**

Due from other governments consists of amounts due from the Federal Transit Administration and Santa Barbara County Association of Governments, totaling \$284,413 and \$129,076 for years ended June 30, 2016 and 2015, respectively.

## (5) **Unearned Revenue**

VCTC Intercity Services maintains a unearned revenue account to account for unused bus tokens sold to social service type agencies for one ride trips. Revenue is recognized as bus tokens are redeemed.

# VENTURA COUNTY TRANSPORTATION COMMISSION

## VCTC Intercity Services

### Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

#### (5) Unearned Revenue (Continued)

The balance of unearned revenue as of June 30, 2016 is \$56,927.

Unearned revenues at July 1, 2015	\$ 69,769
New tokens issued	550
Tokens redeemed	<u>(13,392)</u>
Unearned revenues as of June 30, 2016	<u>\$ 56,927</u>

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

VCTC Intercity Services 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 and 2015 the funds received from the State Transit Assistance Fund complied with the above provision.

##### 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 20.00%.

Farebox Revenue*:	
Farebox Revenue	\$ 1,248,653
Route Guarantee – CSU Channel Islands	475,000
Route Guarantee – Moorpark College	<u>10,000</u>
Total Farebox Revenue	<u>\$ 1,733,653</u>
Operating Expenses:	\$ 8,921,924
Less Capital Planning Expense	(1,342,079)
Less Vehicle Leases	<u>(955,293)</u>
Net Adjusted Operating Expenses**	<u>\$ 6,624,552</u>

# VENTURA COUNTY TRANSPORTATION COMMISSION

## VCTC Intercity Services

### Notes to Financial Statements

Fiscal Years Ended June 30, 2016 and 2015

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

Total Fare Ratio	<u>26%</u>
Required Fare Ratio Pursuant to: PUC Section 99268.3	20%

\* VCTC includes a portion of the local contribution as a route guarantee.

\*\* Difference between Operating Expenses of \$7,968,458 and Net Adjusted Operating Expenses of \$6,624,552 is \$1,313,906 that consist of excluded capital expenses related to the lease.

During the fiscal year 2015-2016, VCTC maintained a ratio of fare revenues to operating costs of 26%. Since the ratio exceeded the minimum ratio of 20%, VCTC is in compliance with PUC Section 99268.3.

#### (7) **Restrictions**

Funds received pursuant to the Transportation Development Act of the State of California may only be used for public transportation and transit.

Pursuant to Proposition 1B – Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) projects approved by CalTrans and funds received from the State Controller’s Office may only be used for the Thousand Oaks replacement bus and passenger counter purchases, Metrolink Sealed Corridor Project, Simi Valley Replacement Paratransit Vans, Gold Coast Transit Replacement CNG Buses, Ojai Replacement Bus, VCTC Intercity Services Bus Purchase project, and Thousand Oaks Replacement Dial-A-Ride Project.

#### (8) **Contingencies**

See VCTC’s basic financial statements for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.



Board of Commissioners  
Ventura County Transportation Commission  
Ventura, California

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, VCTC Intercity Services of the Ventura County Transportation Commission (“VCTC”), as of and for the fiscal years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise VCTC Intercity Services financial statements, and have issued our report thereon dated December 13, 2016.

**Internal Control Over Financial Reporting**

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



Lake Forest, California  
December 13, 2016