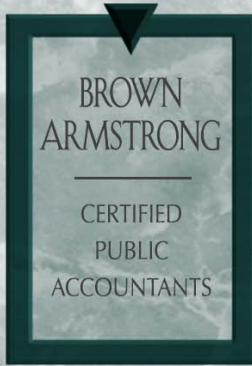


**CITY OF VISALIA**  
**TRANSPORTATION AND TRANSIT FUNDS**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2014**

**CITY OF VISALIA  
TRANSPORTATION AND TRANSIT FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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# BROWN ARMSTRONG

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Visalia  
Visalia, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation and Transit Funds of the City of Visalia, California (the City), as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents. The financial statements of the Transportation and Transit Funds as of June 30, 2013, were audited by other auditors whose report dated March 12, 2014, expressed an unmodified opinion on those statements.

### 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 an opinion 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 opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Transportation and Transit Funds of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements present only the Transportation and Transit Funds and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2014, and the changes in financial position, or, where applicable, its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to the matter.

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Corrections 2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

## Other Matters

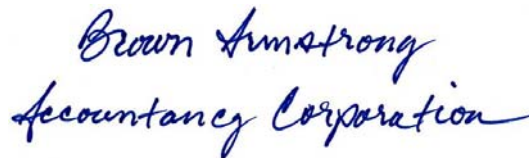
### *Required Supplementary Information*

Management has omitted the management discussion and analysis (MD&A) and respective budgetary comparison schedule that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the City's internal control over financial reporting as it relates to the Transportation and Transit Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 as it relates to the Transportation and Transit Funds.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California  
March 27, 2015

**CITY OF VISALIA  
LOCAL TRANSPORTATION FUND  
BALANCE SHEET  
JUNE 30, 2014, WITH COMPARATIVE TOTALS**

	2014	2013
<b>ASSETS</b>		
Cash and investments	\$ 720,183	\$ 713,481
Due from other city funds	952,362	952,363
Due from other governmental agencies	1,370,848	3,139,002
 TOTAL ASSETS	 \$ 3,043,393	 \$ 4,804,846
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 157,249	\$ 542,516
Advances	-	2,819,713
Due to other city funds	447,157	-
 TOTAL LIABILITIES	 604,406	 3,362,229
 <b>FUND BALANCE</b>		
Restricted for:		
Laws and regulations of other governments	2,438,987	1,442,617
 FUND BALANCE	 2,438,987	 1,442,617
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 3,043,393	 \$ 4,804,846

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA  
LOCAL TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS**

	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>		
Local Transportation Funds	\$ 200,000	\$ 200,000
Other grants	4,043,162	6,110,331
Other revenues	223	405,764
Interest	<u>6,803</u>	<u>3,353</u>
 Total revenues	 <u>4,250,188</u>	 <u>6,719,448</u>
 <b>EXPENDITURES</b>		
Construction and maintenance	3,251,590	5,293,338
Administration	<u>2,228</u>	<u>-</u>
 Total expenditures	 <u>3,253,818</u>	 <u>5,293,338</u>
 Excess of revenues over expenditures	 <u>996,370</u>	 <u>1,426,110</u>
 <b>OTHER FINANCING SOURCES (USES)</b>		
Operating Transfers in	<u>-</u>	<u>16,507</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>16,507</u>
 Net change in fund balance	 996,370	 1,442,617
 Fund balance, beginning of year	 <u>1,442,617</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 2,438,987</u>	 <u>\$ 1,442,617</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA  
TRANSIT FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2014, WITH COMPARATIVE TOTALS**

	2014	2013
<b>ASSETS</b>		
Current assets		
Cash and investments	\$ 8,590,736	\$ 7,767,684
Accounts receivable	250,683	108,036
Prepaid expenses	1,313	2,626
Due from other governmental agencies	9,765,738	6,532,531
Total current assets	18,608,470	14,410,877
Capital assets		
Non-depreciable	4,070,524	3,980,275
Depreciable	47,647,151	47,338,920
Accumulated depreciation	(15,571,713)	(13,080,244)
Total capital assets, net	36,145,962	38,238,951
Total assets	\$ 54,754,432	\$ 52,649,828
<b>LIABILITIES AND NET POSITION</b>		
Current liabilities		
Accounts payable	\$ 517,749	\$ 382,178
Due to other governmental agencies	2,814,925	-
Grant Advances	806,068	812,362
Compensated absences	3,572	-
Total current liabilities	4,142,314	1,194,540
Noncurrent liabilities		
Compensated absences	34,926	40,023
Total liabilities	4,177,240	1,234,563
Net position		
Net investment in capital assets	36,145,962	38,238,951
Restricted	1,882,694	
Unrestricted	12,548,536	13,176,314
Total net position	\$ 50,577,192	\$ 51,415,265

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA  
TRANSIT FUND  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS**

	<u>2014</u>	<u>2013</u>
<b>OPERATING REVENUES</b>		
Fares	\$ 2,460,851	\$ 2,708,470
Other operating revenues	168,388	-
	<hr/>	<hr/>
Total operating revenues	2,629,239	2,708,470
<b>OPERATING EXPENSES</b>		
Maintenance and operations	9,192,928	6,685,090
Salaries and employee benefits	598,235	587,300
General and administrative	1,076,600	848,993
Depreciation	2,740,329	2,269,646
	<hr/>	<hr/>
Total operating expenses	13,608,092	10,391,029
Operating loss	(10,978,853)	(7,682,559)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest	60,920	50,169
Local Transportation Funds	3,506,826	3,425,897
State Transit Assistance Funds	1,157,461	538,029
Measure R	783,200	718,200
Other grants	4,234,743	5,979,775
Other expenses	(198,107)	(616,080)
Rental of facilities	234,374	229,081
Other income	361,363	25,794
	<hr/>	<hr/>
Total nonoperating revenues (expenses)	10,140,780	10,350,865
Change in net position	(838,073)	2,668,306
Net position, beginning	<hr/> 51,415,265	<hr/> 48,746,959
Net position, ending	<hr/> <u>\$ 50,577,192</u>	<hr/> <u>\$ 51,415,265</u>

The accompanying notes are an integral part of these financial statements.



**CITY OF VISALIA  
TRANSIT FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014, WITH COMPARATIVE TOTALS**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,487,905	\$ 2,684,528
Cash payments to suppliers for goods and services	(10,141,776)	(7,555,225)
Cash payments to employees for services	(598,235)	(584,658)
	(8,252,106)	(5,455,355)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local Transportation Funds	3,506,826	3,425,897
State Transit Assistance Funds	1,157,461	538,029
Measure R	783,200	718,200
Other grants	4,234,743	3,944,533
Other income (expense)	397,630	(361,205)
	10,079,860	8,265,454
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Due from Other Government Agencies	(3,233,207)	-
Due to Other Government Agencies	2,814,925	-
Capital grants	-	2,878,814
Acquisition of capital assets	(858,216)	(2,703,666)
Retirement of capital assets	210,876	-
	(1,065,622)	175,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	60,920	50,169
	823,052	3,035,416
Net increase (decrease) in cash and cash equivalents	823,052	3,035,416
Cash and cash equivalents, beginning of the year	7,767,684	4,732,268
	\$ 8,590,736	\$ 7,767,684
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (10,978,853)	\$ (7,682,559)
Adjustment to reconcile operating loss to net cash used in operating activities		
Depreciation	2,740,329	2,269,646
Changes in assets and liabilities:		
(Increase) in accounts receivable	(142,647)	(23,942)
Decrease in prepaid expenses	1,313	1,313
Increase (decrease) in accounts payable	129,277	(22,455)
Increase (decrease) in compensated absences	(1,525)	2,642
	\$ (8,252,106)	\$ (5,455,355)

The accompanying notes are an integral part of these financial statements.

**CITY OF VISALIA  
TRANSPORTATION AND TRANSIT FUNDS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of the Transportation and Transit Funds of the City of Visalia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the City are described below.

B. Reporting Entity

The financial statements are intended to reflect the financial position, results of operation and compliance of the Transportation Development Act (TDA), and Measure R funds allocated for non-transit and transit purposes to the Transportation Fund and the Transit Fund of the City with the laws, rules and regulations of the TDA, certain bond act requirements and the Tulare County Association of Governments. They do not present fairly the financial position and results of operations of the City, in conformity with accounting principles generally accepted in the United States of America.

C. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two generic fund types and two broad fund categories as follows:

**Governmental Fund Types**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Transportation Fund is a Special Revenue Fund.

**Proprietary Funds**

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accounting ability, or other purposes. The Transit Fund is an Enterprise Fund.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. Basis of Accounting

Governmental fund financial statements are reported 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

E. Cash and Cash Equivalents

The City pools cash from all sources and all funds except Cash with Fiscal Agents so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Investments are carried at fair market value.

F. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

As the City acquires additional capital assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts essentially spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimates. In the case of donations, capital assets are valued at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 to 50 years
Improvements other than buildings	10 to 20 years
Machinery, equipment and vehicles	3 to 10 years

G. Use of Management 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

H. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. These components of fund balance are classified based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### H. Fund Balance (Continued)

*Nonspendable Fund Balance* – amounts that are inherently nonspendable such as inventory or long-term receivables.

*Restricted Fund Balance* – amounts that have externally enforceable limitation on use that are either imposed by law or constrained by grantors, contributors, or laws and regulations of other governments.

*Committed Fund Balance* – amounts that can only be used for specific purposes determined by formal action of the City's highest level of decision-making authority (the City Council). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use through the same type of formal action taken to establish the commitment. The formal action must occur prior to the end of the reporting period; however the amount can be determined subsequently.

*Assigned Fund Balance* – amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The intent can be expressed by the City Council itself or by an official to which the governing body has delegated the authority.

*Unassigned Fund Balance* – the residual positive net resources of the general fund in excess of what can properly be classified in one of the other four categories. This amount is reported only in the general fund except in cases of negative fund balance. Negative fund balances in other governmental funds are reported as Unassigned Fund Balance.

The accounting policies of the City consider restricted fund balance to have been spent first when an expenditure is incurred if both restricted and unrestricted fund balance are available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the City considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts.

### I. New Accounting Pronouncements – Implemented

**GASB Statement No. 65** – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. The City fully implemented this statement for the year ended June 30, 2014.

**GASB Statement No. 66** – *Technical Corrections 2012 – An Amendment of GASB Statements No. 10 and No. 62* improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for periods beginning after December 15, 2012, although earlier application is encouraged. The City fully implemented this statement for the year ended June 30, 2014.

**GASB Statement No. 67** – *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* improves financial reporting by state and local governmental pension plans. This Statement results from a compressive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement is effective for periods beginning after June 15, 2013, although earlier application is encouraged. The City fully implemented this statement for the year ended June 30, 2014.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

### I. New Accounting Pronouncements – Implemented (Continued)

**GASB Statement No. 70** – *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement specifies the information required to be disclosed by governments that extended nonexchange financial guarantees. In addition, this statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this statement are effective for reporting periods beginning after June 15, 2013. The City fully implemented this statement for the year ended June 30, 2014.

### J. Future GASB Statements

**GASB Statement No. 68** – *Financial Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014, although earlier application is encouraged. The City is assessing, but has not yet determined, the effects the implementation of this statement will have on the financial statements.

**GASB Statement No. 69** – *Government Combinations and Disposals of Government Operations* provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City is assessing, but has not yet determined, the effects the implementation of this statement will have on the financial statements.

**GASB Statement No. 71** – *Pension Transition for Contributions Made Subsequent to the Measurement Date* amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual basis of financial statements of employers and nonemployer contributing entities. The provisions of this statement should be applied simultaneously with the provisions of GASB Statement No. 68 and therefore are effective for financial periods beginning after June 15, 2014.

## **NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash is pooled with other City funds to maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds, including the Transportation Fund and the Transit Fund on a monthly basis, based on weighted average cash balances in each fund. For reporting of cash flows, the City considers all demand deposits and investments maturing within ninety days of their purchase to be cash and cash equivalents. Information regarding categorization of investments can be found in the City's financial statements.

**NOTE 3 – CAPITAL ASSETS**

The changes in capital assets and the related accumulated depreciation for the years ended June 30, 2014 and 2013, are as follows:

	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Non-depreciable assets				
Land	\$ 3,961,902	\$ -	\$ -	\$ 3,961,902
Construction in progress	<u>18,373</u>	<u>90,249</u>	<u>-</u>	<u>108,622</u>
Total non-depreciable assets	3,980,275	90,249	-	4,070,524
Depreciable assets				
Buildings	17,590,543	-	-	17,590,543
Vehicles and equipment	27,146,001	767,967	459,736	27,454,232
Improvements	<u>2,602,376</u>	<u>-</u>	<u>-</u>	<u>2,602,376</u>
Total depreciable assets	47,338,920	767,967	459,736	47,647,151
Less accumulated depreciation	<u>13,080,244</u>	<u>2,746,478</u>	<u>255,009</u>	<u>15,571,713</u>
Capital assets, net	<u>\$ 38,238,951</u>	<u>\$ (1,888,262)</u>	<u>\$ 204,727</u>	<u>\$ 36,145,962</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Non-depreciable assets				
Land	\$ 3,961,902	\$ -	\$ -	\$ 3,961,902
Construction in progress	<u>11,395,423</u>	<u>21,231</u>	<u>11,398,281</u>	<u>18,373</u>
Total non-depreciable assets	15,357,325	21,231	11,398,281	3,980,275
Depreciable assets				
Buildings	6,494,733	11,095,810	-	17,590,543
Vehicles and equipment	24,493,526	2,685,763	33,288	27,146,001
Improvements	<u>2,602,376</u>	<u>-</u>	<u>-</u>	<u>2,602,376</u>
Total depreciable assets	33,590,635	13,781,573	33,288	47,338,920
Less accumulated depreciation	<u>10,840,558</u>	<u>2,269,646</u>	<u>29,960</u>	<u>13,080,244</u>
Capital assets, net	<u>\$ 38,107,402</u>	<u>\$ 11,533,158</u>	<u>\$ 11,401,609</u>	<u>\$ 38,238,951</u>

**NOTE 4 – FARE REVENUE RATIO**

The City is required under the TDA to maintain a fare revenue to operating expense ratio of 20%. The City met the fare revenue to operating expense ratio goal of 20% for the fiscal years ended June 30, 2014 and 2013. The calculation of the fare revenue ratios for the fiscal years ended June 30, 2014 and 2013, is as follows:

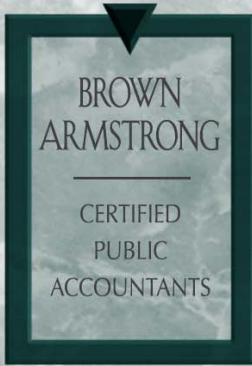
	<u>2014</u>	<u>2013</u>
Fares	\$ 2,460,851	\$ 2,708,470
Measure R fares supplement	-	120,000
Total fare revenue	<u>\$ 2,460,851</u>	<u>\$ 2,828,470</u>
Operating expenses	\$ 13,608,092	\$ 10,391,029
Less: depreciation	<u>(2,740,329)</u>	<u>(2,269,646)</u>
Net operating expenses	<u>\$ 10,867,763</u>	<u>\$ 8,121,383</u>
Ratio	<u>22.64%</u>	<u>34.83%</u>

**NOTE 5 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through March 27, 2015, the date these financial statements have been made available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

## **OTHER REPORT**





# BROWN ARMSTRONG

*Certified Public Accountants*

## **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; TRANSPORTATION DEVELOPMENT ACT; AND MEASURE R**

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City of Visalia  
Visalia, California

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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 financial statements of the Transportation and Transit Funds of the City of Visalia (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated March 27, 2015. Our audit was further made to determine that Transportation Development Act funds allocated to and received by the City were expended in conformance with the applicable statutes, rules, and regulations of the Transportation Development Act, including Section 6666 and 6667 of Title 21, Chapter 3 of the California Code of Regulations, and the allocation instructions and resolutions of the Tulare County Association of Governments.

### **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) as it relates to the Transportation and Transit Funds 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 over financial reporting relevant to the Transportation and Transit Funds.

*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 City's Transportation and Transit Funds financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Our audit was further made to determine that Transportation Development Act and Measure R funds allocated to and received by the City were expended in conformance with applicable statutes, rules, and regulations of the Transportation Development Act, Measure R Ordinance, and instructions and resolutions of Tulare County Association of Governments and the Tulare County Transportation Authority as required by Section 6667 of Title 21 of the California Code of Regulations. 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*, the Transportation Development Act, and Measure R Ordinance.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance relevant to the Transportation and Transit Funds and the results of that testing, and not to provide an opinion of the effectiveness of the City's internal control or on compliance relevant to the Transportation or Transit Funds. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance relevant to the Transportation and Transit Funds. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
March 27, 2015