

CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS
Financial Statements and Supplemental Data
Year Ended June 30, 2013

CITY OF BREA, CALIFORNIA

TRANSPORTATION DEVELOPMENT ACT FUNDS

Financial Statements and Supplemental Data

Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Orange County Transportation Authority
Orange, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Transportation Development Act (TDA) Article 4.5 Funds (Funds) of the City of Brea, California (City), as of and for the year ended June 30, 2013, 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.

Auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the TDA Funds of the City, as of June 30, 2013, and the changes in financial position 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 TDA Funds of the City and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013, and the changes in its financial position 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TDA Funds' basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balance – budget and actual and schedule of allocations (supplementary information) is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted management's discussion and analysis for the TDA Funds that accounting principles generally accepted in the United States of America require 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 Governmental Accounting Standards Board who considers it to be an essential part of the 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 December 13, 2013 on our consideration of the City's internal control over financial reporting for the TDA 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 for the TDA Funds and compliance.



Laguna Hills, California
December 13, 2013

**CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**BALANCE SHEET
JUNE 30, 2013**

	<u>Article 4.5</u> <u>2013</u>
ASSETS	
Cash and Investments	\$ -
Total Assets	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	\$ -
Total Liabilities	<u>-</u>
Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2013**

	<u>Article 4.5</u>
	<u>2013</u>
REVENUES	
TDA Allocation	\$ 3,884
City Match	777
Total Revenues	<u>4,661</u>
EXPENDITURES	
Current:	
TDA Expenditures	<u>4,661</u>
Total Expenditures	<u>4,661</u>
Excess (deficiency) of revenues over (under) expenditures	-
Fund Balance at Beginning of Year	<u>-</u>
Fund Balance at End of Year	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1 – GENERAL INFORMATION

The financial statements are intended to reflect the financial position and changes in financial position of the Transportation Development Act (TDA) Article 4.5 Funds (Funds) only. Accordingly, the financial statements do not purport to, and do not, present fairly the financial position of the City and changes in financial position thereof for the years then ended in accordance with generally accepted accounting principles in the United States of America.

For TDA Article 4.5 Funds, the City of Brea (City) has entered into a Cooperative Agreement (TDA 4.5 Agreement) with the Orange County Transportation Authority (OCTA) to provide transportation services to eligible individuals in accordance with Section 99275 of the California Public Utilities Code (Code). According to the Code, TDA funds may only be expended for community transit services, including services for the disabled who are unable to use conventional transit services. In accordance with the TDA 4.5 Agreement, the City is required to provide matching funds equal to 20% of the allocation amount. The City satisfied its required match for the fiscal year ended June 30, 2013.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the TDA Funds of the City conform to accounting principles generally accepted in the United States of America. The following is a summary of significant accounting policies.

Fund Accounting

The TDA Funds are accounted for in a separate account within the City's General Fund.

The accounts of the City are organized on the basis of funds. 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 benefits, and equity, segregated for the purpose of carrying out specific activities. The City accounts for the TDA activities in separate general ledger accounts within the General Fund.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. Expenditures of this fund include general operating expenditures.

Measurement Focus and Basis of Accounting

The General Fund of the City is 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 generally are recorded when a liability is incurred.

**CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash and investments are pooled to facilitate cash management and maximize investment opportunities and yields. Investment income resulting from this pooling is allocated to the respective funds including the TDA Funds based upon the average cash balance. The investment policies and the risks related to Governmental Accounting Standard Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosures*, applicable to the Funds, are those of the City and are disclosed in the City's basic financial statements. The City's basic financial statements can be obtained at City Hall.

Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUPPLEMENTARY INFORMATION

**CITY OF BREA, CALIFORNIA
 TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2013**

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
TDA Allocation	\$ 3,884	\$ 3,884	\$ 3,884	\$ -
City Match	777	777	777	-
Total Revenues	<u>4,661</u>	<u>4,661</u>	<u>4,661</u>	<u>-</u>
EXPENDITURES				
Current:				
TDA Expenditures	<u>4,661</u>	<u>4,661</u>	<u>4,661</u>	<u>-</u>
Total Expenditures	<u>4,661</u>	<u>4,661</u>	<u>4,661</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund Balance at Beginning of Year	-	-	-	-
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BREA, CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT FUNDS**

**NOTE TO SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2013**

NOTE 1 – BUDGETARY DATA

The City adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America.

**CITY OF BREA, CALIFORNIA
 TRANSPORTATION DEVELOPMENT ACT FUNDS**

**SCHEDULE OF ALLOCATIONS RECEIVED AND EXPENDED, BY PROJECT YEAR
 YEAR ENDED JUNE 30, 2013**

<u>Project Description</u>	<u>Project Type</u>	<u>Year Allocated</u>	<u>Allocation Amount</u>	<u>Unspent Allocations at 06/30/2012</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Unspent Allocations at 06/30/2013</u>	<u>Project Status</u>
Senior Mobility Program	Local	2012-13	\$ 3,884	\$ -	\$ 3,884	\$ 3,884	\$ -	Completed
Totals			<u>\$ 3,884</u>	<u>\$ -</u>	<u>\$ 3,884</u>	<u>\$ 3,884</u>	<u>\$ -</u>	



**INDEPENDENT AUDITORS' 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**

Board of Directors
Orange County Transportation Authority
Orange, California

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 Development Act (TDA) Article 4.5 Funds (Funds) of the City of Brea, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated December 13, 2013. Our report included an emphasis of matter paragraph stating that the financial statements of the TDA Funds do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013.

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) of the TDA Funds to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 City's TDA Funds 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 financial statements of the TDA Funds are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6667 of Part 21 of the California Code of regulations and the allocation instructions of the Orange County Transportation Authority, 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 the requirements of Section 6667 of part 21 of the California Code of Regulations and the allocation instructions of the Orange County Transportation Authority.

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.



Laguna Hills, California
December 13, 2013