

PALOS VERDES PENINSULA TRANSIT AUTHORITY
AGENDA
Thursday, February 27, 2014
4:00 p.m.

CITY OF ROLLING HILLS ESTATES – Council Chambers
4045 Palos Verdes Drive North
Rolling Hills Estates, CA 90274

AGENDA DESCRIPTIONS

The Agenda descriptions are intended to give notice to members of the public of a general summary of items of business to be transacted or discussed. The list Action represents the Administrator's recommendation. The Board may take any action which it deems to be appropriate on the agenda and is not limited in any way by the notice of the recommended action.

This agenda, related staff reports, and any correspondence received as addenda are available at the Authority's office, 38 Crest Road West, Rolling Hills, CA 90274.

- I. ROLL CALL & WELCOME**
- II. Closed Session**

CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION
(Gov't Code § 54956.9(d)(2))
- III. PLEDGE OF ALLEGIANCE**
- IV. CONFIRM POSTING OF THE AGENDA BY ROLLING HILLS ESTATES CITY CLERK**
- V. CONSENT CALENDAR ITEMS (1-5)**

All matters listed under the Consent Calendar are considered to be routine and will be enacted by one vote. There will be no discussion of these items unless members of the Board request specific items to be removed from the Consent Calendar for separate action.

- 1. Minutes of the October 17, 2013 Board Meeting - Page 4
- 2. Register of Standing demands and Previously Authorized demands under Resolution 94/95-01 and per attached listing: - Page 7

If you need special assistance to participate in an Authority meeting under the Americans with Disabilities Act (ADA) or as a person with limited English proficiency (LEP) under Executive Order 13166, please contact the Secretary (310-544-7108) with request for reasonable accommodation at least forty-eight hours prior to the meeting.

	Checks	Amount
October	5044-5063	\$ 190,696.54
November	5064-5089	\$ 254,945.76
December	5090-5112	\$ 250,585.85
TOTAL		\$ 696,228.15

- 3. Administrative Services Co-Op Contract Extension - Page 9
- 4. Reaffirmation of Investment Policy - Page 11
- 5. Sale of bus to the City of Bell - Page 15

RECOMMENDED ACTION: Approve Consent Calendar items

VI. PUBLIC COMMENTS

At this time members of the public may address the Board regarding any items within the subject matter jurisdiction of the Board but no action may be taken on off-agenda items unless authorized by law.

VII. MONTHLY & REGULAR REPORTS

A. Operations Report

- 1. Review of ridership data for the period ending 12/31/13 - Page 16

RECOMMENDED ACTION: Receive and file report

B. Finance

- 1. Financial Statements as of December 31, 2013 - Page 19

RECOMMENDED ACTION: Receive and file statements.

- 2. Fiscal Year 2012-13 Audit Report - Page 23

RECOMMENDED ACTION: Approve Audit Report and FY 2014 Audit Engagement Letter with Macias Gini & O'Connell, LLP

VIII. NEW BUSINESS

None

IX. OLD BUSINESS

A. Bus Advertising Program

Page 52

RECOMMENDED ACTION: Approve Bus Advertising Program

X. ADMINISTRATOR ITEMS

VIII. CHAIR ITEMS AND MEMBER ITEMS

1. METRO South Bay Governance Council Update

-verbal

2. Election of Officers

- Page 61

XI. ADJOURNMENT TO

Next Meetings: March – Annual Workshop
 April 24, 2014
 May 22, 2014 (if necessary for Budget hearing)
 July 24, 2014

PALOS VERDES PENINSULA TRANSIT AUTHORITY

**BOARD MINUTES
Thursday, October 17, 2013**

CITY OF ROLLING HILLS ESTATES – Council Chambers
4045 Palos Verdes Drive North
Rolling Hills Estates, CA 90274

Present:

Palos Verdes Estates: Rosemary Humphrey, Jim Goodhart
Rancho Palos Verdes: Susan Brooks
Rolling Hills Estates: John Addleman, Frank Zerunyan

Member Agencies Staff
Martin Gombert, PVPTA
Koral Shishido, BCWS
Greg Grammer, RHE
Nicole Jules, RPV
Lydia Cano, PVPUSD
Joe Mendoza, PVE

Other

I. ROLL CALL AND WELCOME

At 4:09 p.m. Chairperson Addleman welcomed those present and opened the meeting.

II. PLEDGE OF ALLEGIANCE

**III. CONFIRM POSTING OF THE AGENDA BY ROLLING HILLS ESTATES
CITY CLERK**

Mr. Greg Grammer, RHE Assistant City Administrator confirmed the posting of the Authority Agenda.

VI. CONSENT CALENDAR (1-3)

Vice-Chair Brooks moved approval of the Consent Calendar, seconded by Member Humphrey and approved by unanimous vote.

V. PUBLIC COMMENTS

None

VI. MONTHLY AND REGULAR REPORTS

- A.1 Operations Report: Mr. Gombert presented the operations report for the period ending September 30, 2013. There were several comments by board members.

Member Humphrey moved to receive and file the Operations Report, seconded by Member Zerunyan, and approved by unanimous vote.

- B.1 Financial Report: Ms. Koral Shishido, BCWS reviewed the financial report for the period ending September 30, 2013. There was discussion.

Member Humphrey moved to receive and file the Financial Report, seconded by Vice-Chair Brooks, and approved by unanimous roll-call vote.

VII. NEW BUSINESS

1. Title VI Program

Administrator Gombert reviewed the proposed Title VI Program and explained this was required since the Authority had received federal funds (CMAQ) for bus purchases. There was discussion by Board members.

Member Zerunyan moved approval of the staff recommendation, seconded by Member Goodhart, and approved by unanimous vote.

2. Capital Improvement Program

Member Humphrey moved to approve the staff recommendation to purchase one replacement bus from Creative Bus Sales (Quote dated October 9, 2013) for a total cost not to exceed \$401,280, seconded by Vice-Chair Brooks, and approved by unanimous roll-call vote.

3. Dial-A-Ride Fare Increase

Administration Gombert presented the staff report and outlined the public outreach efforts made throughout the community. He mentioned that the Authority had not received any negative comments regarding the proposed fare increase.

Vice-Chair Brooks moved to approve the staff recommendation, seconded by Member Humphrey, and approved by unanimous roll-call vote.

VIII. OLD BUSINESS

1. Bus Advertising

Mr. Gombert presented a brief update to the Board on the Bus Advertising project.

IX. ADMINISTRATOR ITEMS

1. Succession Plan

Administrator Gombert presented the staff report. Member Zerunyan requested some modifications to the plan and asked that it be brought back for review at a future Board Meeting.

X. CHAIR AND MEMBER ITEMS

None

XI. ADJOURNMENT

Member Zerunyan moved to adjourn the meeting in honor of Mr. Hugh Muller, Rolling Hills Estates Council Member, seconded by Member Humphrey and approved by unanimous vote.

The meeting was adjourned at 5:07 p.m.

**Palos Verdes Transit Authority
Checks Written for
October-December 2013**

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Oct 13	10/15/2013	5044	Administrative Services Co-Op	September 2013	-13,567.60	-13,567.60
	10/15/2013	5045	Arrowhead Mountain Spring Water	Invoice 13J0024293722	-11.98	-11.98
	10/15/2013	5046	AT&T	Account No. 0206360576001	-122.71	-122.71
	10/15/2013	5047	Clean Energy	CE 11511239 September 2013	-11,027.22	-11,027.22
	10/15/2013	5048	County Sanitation Districts of LA County	Parking Lot Lease	-13,338.50	-13,338.50
	10/15/2013	5049	Daily Breeze	Subscription - Daily Print	-175.67	-175.67
	10/15/2013	5050	Decals By Design	Invoice 7644 - Peninsula Ed Foundation Ads	-901.40	-901.40
	10/15/2013	5051	Gayle Albin-Bailey	Invoice 500 - July/August	-375.00	-375.00
	10/15/2013	5052	Macias Gini & O'Connell, LLP	FYE June 30, 2013 Review of Financial Report anc	-2,833.97	-2,833.97
	10/15/2013	5053	Mutual Liquid Gas & Equipment Co., Inc.	Invoice 140018 September 2013	-7,222.76	-7,222.76
	10/15/2013	5055	PVPUSD-Rent	October 2013	-50.00	-50.00
	10/15/2013	5056	Transit Information Products	Invoice 10276	-306.56	-306.56
	10/15/2013	5057	Transportation Concepts Inc.	Transportation Services	-122,666.69	-122,666.69
	10/15/2013	5058	Verizon California 310 544-7108	310 544-7108	-146.53	-146.53
	10/15/2013	5059	Verizon California 310 544-7109	310 544-7109	-44.85	-44.85
	10/15/2013	5060	Wells Fargo	Acct 4484610002154188	-49.94	-49.94
	10/15/2013	5061	White Wings Cleaning Service	Invoice 5604	-75.00	-75.00
	10/15/2013	5062	Xerox	Invoice 070392010 September 2013	-382.54	-382.54
	10/31/2013	5063	Mobility Advancement Group	Administrative Services for October 2013	-17,397.62	-17,397.62
Oct 13						<u><u>-190,696.54</u></u>

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Nov 13	11/19/2013	5064	Administrative Services Co-Op	October 2013	-14,492.77	-14,492.77
	11/19/2013	5065	Arrowhead Mountain Spring Water	Invoice 13J0024293722	-38.83	-38.83
	11/19/2013	5066	AT&T	Account No. 0206360576001	-137.31	-137.31
	11/19/2013	5067	Clean Energy	CE11520754 October 2013	-12,068.03	-12,068.03
	11/19/2013	5068	County Sanitation Districts of LA County	December 2013	-6,669.25	-6,669.25
	11/19/2013	5069	Darold D. Pieper	Invoice 20136	-125.00	-125.00
	11/19/2013	5070	Gayle Albin-Bailey	Invoice 511 - October 2013	-168.75	-168.75
	11/19/2013	5071	Jackie Miller	DAR Refund - TaxiCard #082402/PVPTA MS #604	-50.00	-50.00
	11/19/2013	5072	Maneri Sign Co., Inc.	Bus Stop Sign Maintenance	-288.56	-288.56
	11/19/2013	5073	Mutual Liquid Gas & Equipment Co., Inc.	Invoice 143572 October 2013	-8,622.85	-8,622.85
	11/19/2013	5074	NextBus, Inc.	Tracker Suite with Mobile Data	-50,890.99	-50,890.99
	11/19/2013	5075	Office Depot	Invoice 3961634	-99.93	-99.93
	11/19/2013	5076	Palos Verdes On the Net	Invoice 2013-68 October/November 2013	-1,338.25	-1,338.25
	11/19/2013	5077	Pitney Bowes - Purchase Power	Acct. 8000-9090-0212-1536	-700.00	-700.00
	11/19/2013	5078	PVPUSD-Rent	November 203	-50.00	-50.00
	11/19/2013	5079	Sir Speedy	Printing	-164.42	-164.42
	11/19/2013	5080	Transportation Concepts Inc.	Transportation Services	-140,437.60	-140,437.60
	11/19/2013	5081	Verizon California	Internet	-299.98	-299.98
	11/19/2013	5082	Verizon California 310 544-7108	310 544-7108	-153.15	-153.15
	11/19/2013	5083	Verizon California 310 544-7109	310 544-7109	-49.43	-49.43
	11/19/2013	5084	Wells Fargo	Acct 4484610002154188	-29.95	-29.95
	11/19/2013	5085	White Wings Cleaning Service	Invoice 5673	-75.00	-75.00
	11/19/2013	5086	Xerox	Invoice 70940682 October 2013	-390.63	-390.63
	11/19/2013	5087	PitneyBowes Global Financial Services	Postage Meter	-8.59	-8.59
	11/19/2013	5088	PitneyBowes Global Financial Services	Postage Meter	-204.92	-204.92
	11/30/2013	5089	Mobility Advancement Group	Administrative Services for November 2013	-17,391.57	-17,391.57
Nov 13						<u><u>-254,845.76</u></u>

Palos Verdes Peninsulas Transit Authority
Checks Written for
October-December 2013

	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Original Amount</u>	<u>Paid Amount</u>
Dec 13	12/12/2013	5090	Grace DeGuzman	Hasagawa/Flynn	-70.00	-70.00
	12/12/2013	5091	Ginny Haynes	Virginia Keller/TaxiCard #034445/PVPTA MS #574	-50.00	-50.00
	12/12/2013	5092	Georgia Ferderber	Georgia Ferderber/TaxiCard #043577/PVPTA MS	-110.00	-110.00
	12/12/2013	5093	Administrative Services Co-Op	November	-15,253.83	-15,253.83
	12/12/2013	5094	Arrowhead Mountain Spring Water	Invoice 13K0024293722	-49.14	-49.14
	12/12/2013	5095	AT&T	Account No. 0206360576001	-117.04	-117.04
	12/12/2013	5096	County Sanitation Districts of LA County	January 2013	-6,869.33	-6,869.33
	12/12/2013	5097	Darold D. Pieper	Invoice 20140	-275.00	-275.00
	12/12/2013	5098	Mutual Liquid Gas & Equipment Co., Inc.	November 2013	-7,143.37	-7,143.37
	12/12/2013	5099	NextBus, Inc.	Tracker Suite with Mobile Data	-87,000.00	-87,000.00
	12/12/2013	5100	PitneyBoves Global Financial Services	Postage Meter	-268.92	-268.92
	12/12/2013	5101	PVPUSD	Invoice D0109 -Gas and Electric for July 2013 - No	-1,051.72	-1,051.72
	12/12/2013	5102	PVPUSD-Rent	December 2013	-50.00	-50.00
	12/12/2013	5103	Sir Speedy	VOID:	0.00	0.00
	12/12/2013	5104	Transportation Concepts Inc.	Transportation Services	-113,116.05	-113,116.05
	12/12/2013	5105	Trillium Solutions	Invoice 1291	-912.00	-912.00
	12/12/2013	5106	Verizon Callifornia 310 544-7108	310 544-7108	-147.87	-147.87
	12/12/2013	5107	Verizon Callifornia 310 544-7109	310 544-7109	-44.53	-44.53
	12/12/2013	5108	Wells Fargo	Acct 4484610002154188	-60.90	-60.90
	12/12/2013	5109	White Wings Cleaning Service	Invoice 5681	-145.00	-145.00
	12/12/2013	5110	Xerox	Invoice 71409165 November 2013	-370.65	-370.65
	12/16/2013	5111	Marie Callendar's	Xmas Luncheon	-91.13	-91.13
	12/31/2013	5112	Mobility Advancement Group	Administrative Services for December 2013	-17,389.37	-17,389.37
Dec 13						<u><u>-250,585.85</u></u>

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 15, 2014
SUBJECT: Administrative Services Cooperative (ASC) Contract Extension

BACKGROUND

The current Agreement with our dial-a-ride provider Administrative Services Cooperative (ASC) expires on January 31, 2014. Amendment Number 9 would extend the existing Agreement through January 31, 2015 with no increase in fees.

FISCAL IMPACT

Funding for this contract is contained in the Fiscal Year 2013-14 budget.

RECOMMENDATION

Approve Amendment #9 with Administrative Services Cooperative.

**AMENDMENT NUMBER NINE (9)
TO
ADMINISTRATIVE SERVICES COOPERATIVE**

February 17, 2005 Agreement

This amendment to the February 17, 2005 Agreement is made and entered into by and between the PALOS VERDES PENINSULA TRANSIT AUTHORITY, hereinafter referred to as "Authority", and ADMINISTRATIVE SERVICES COOPERATIVE, hereinafter referred to as "ASC".

WITNESSETH

Whereas, on February 17, 2005, Authority and ASC entered into an Agreement to provide transportation to senior and disabled persons; and

WHEREAS, said Agreement can be extended on an annual basis each year, with periodic amendments to modify the amount to be expended; and

NOW, THEREFORE, in consideration of the mutual covenants in said Agreement and the welfare of the above mentioned persons, Authority and ASC agree to revise the Agreement, as amended, as follows:

Section 6-Term: The first sentence shall read as follows:

This Agreement shall commence on ~~January 31, 2013~~ **January 31, 2014** and end on ~~January 31, 2014~~ **January 31, 2015**, unless the Authority and ASC agree to extend it for an additional term not to exceed one (1) year after the initial termination date.

Section 4-Compensation: The first paragraph shall read as follows:

The Authority shall pay ASC the actual amount of the taxicab fare for each ride. The compensation paid by the Authority shall be the actual amount of the taxicab fare to the approved location, and eligible person will not be required to pay ASC. The standard cab rate shall be **\$2.85** at boarding, **\$2.70** per mile after boarding, (partial miles will be assessed at 10ths of a mile) and **\$29.19** per hour traffic delay/waiting time. The standard rate for dial-a-lift service shall be \$20.00 flag drop and be **\$2.70** per mile with traffic delay/waiting time established at **\$29.19** per hour traffic delay/waiting time.

The above rates will be adjusted when changes are made to the taxi rates by the City of Los Angeles Department of Transportation. The new rates will be effective the same date as the City of Los Angeles'. The dial-a-lift rates will be adjusted the same percentage as the change in taxi rates.

Except as herein and previously amended, the Agreement shall remain in full force and effect.

This Amendment shall become effective as of the date it is approved by the Authority.

IN WITNESS THEREOF, the parties hereto have caused this Amendment Number EIGHT to be executed by their respective Officers, duly authorized, by the Authority on **January 23, 2014** and by ASC on _____.

ADMINISTRATIVE SERVICES COOPERATIVE

Date _____ By _____

PALOS VERDES PENINSULA TRANSIT AUTHORITY

Date _____ By _____

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 15, 2014
SUBJECT: Review and Reaffirmation of Investment Policy

BACKGROUND

The attached policy was initially adopted on January 23, 1997 and, due to changing legislative and market conditions, amended a few times. Per recommendation from the Authority's audit firm the policy is reviewed on an annual basis.

The policy was modified on April 21, 2011 by the Board of Directors to allow investment in Fixed-Rate Certificates of Deposit (Section 6.0).

FINDINGS

A close examination reveals that no apparent changes to the policy are in order at this time.

RECOMMENDATION

Following proper review, that the Board reaffirms the Investment Policy and instructs that same be filed in the usual manner.

Attachment

INVESTMENT POLICY

(Revised as of January 23, 2014)

Purpose: Section 53646 (a) of the California Government Code requires that, commencing on January 1, 1996, public entities adopt a statement of investment policy. The policy of the Palos Verdes Peninsula Transit Authority, as duly adopted on January 24, 2013, shall be as follows:

1.0 Policy:

It is the policy of the Palos Verdes Peninsula Transit Authority (Authority) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the entity and conforming to all state and local statues governing the investment of public funds.

2.0 Scope:

This investment policy applies to all financial assets of the entity. These funds are accounted for in the Authority's annual financial audit report.

3.0 Prudence:

Investments shall be made be exercising the same judgment, which under the circumstances then prevailing, persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3.1: Prudence:

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective:

The primary objectives, in priority order, of the Authority's investment activities shall be:

4.1 Safety:

Safety of principal is the foremost objective of the investment program. Investments of the Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification may be required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

4.2 Liquidity:

The Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet all operating requirements which might be reasonably anticipated

4.3 Return on Investments:

The Authority's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the Authority's investment risk constraints and the cash flow characteristic of the portfolio.

5.0 Delegation of Authority:

Authority to manage the Authority's investment program is derived from the following:

Joint Powers Agreement dated May 5, 1992 and as amended as of April 16, 1996. The agreement provides for oversight by the Officers with authority to delegate the management of the program. Management responsibility is hereby delegated to the Authority's Administrator. No person may engage in an investment transaction except as provided under the terms of this policy.

6.0 Authorized & Suitable Investments:

The Authority is empowered to invest in the following manner:

1. Operating bank accounts, as authorized by Board Resolution, not to exceed \$100,000 under normal operating conditions.
2. Investment Pools, as authorized by Board Resolution, limited to funds to be deposited with the Local Agency Investment Fund (LAIF).
3. Fixed-Rate Certificates of Deposit not to exceed FDIC limits.

Internal Control:

The Authority's Governing Board shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with this policy.

Reporting:

The Administrator shall provide the Governing Board (at least quarterly) investment reports which provide a clear picture of the status of the current investment portfolio *and pursuant with California Government Code Section 53646 (b) and to include the following:*

1. *The carrying amount of demand deposit accounts and the amount invested in the Local Agency Investment Fund (LAIF).*
2. *The market value of the Authority's amount investment in the LAIF. This may be addressed by providing a copy of the most recent statement from LAIF.*
3. *A statement of the portfolio's compliance with the Authority's statement of investment policy or manner in which the portfolio is not in compliance.*
4. *A statement denoting the ability of the Authority to meet its expenditure, requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.*

Investment Policy Adoption:

The Authority's investment policy shall be adopted by the Governing Board. The policy shall be reviewed periodically and any modifications made thereto must be approved by the Governing Board.

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 15, 2014
SUBJECT: Sale of Bus to the City of Bell

BACKGROUND

The PVPTA Board approved a Vehicle Lease with the City of Bell at the February 11, 2013 Board Meeting. The City of Bell is paying the PVPTA \$350 per month for the lease of the vehicle.

The City of Bell has recently expressed interest in purchasing this vehicle. Their La Campana fixed route bus service has proved very popular and recently received an Award of Excellent (1st Place) from the California Park & Recreation Society (CPRS) in the awards category of Marketing – Marketing Campaign – Class1: up to 50,000 population.

The average cost of similar vehicles sold last year at auction was \$840 per bus.

RECOMMENDATION

Approve the sale of bus #1036 to the City of Bell for eight-hundred and forty dollars and no cents (\$840.00).

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: January 17, 2014
SUBJECT: Operations Report for the period ending December 31, 2013

PV TRANSIT

PV Transit ridership for the period ending December 31st totaled 75,036, a 3.17% decrease over previous year's totals.

New Year's Eve Service was very well received by the community. Over 400 passengers are estimated to have used the service with heavy ridership at the Terranea Resort and other locations.

The Nextbus equipment has been installed in all buses and the system is currently undergoing testing. Staff will present a project update at the Board Meeting.

DIAL-A-RIDE

Dial-A-Ride ridership totaled 4,262 for the period ending December 31st, a 5.87% decrease over previous year's totals.

Copies of the ridership graphs for both fixed route and dial-a-ride service are attached.

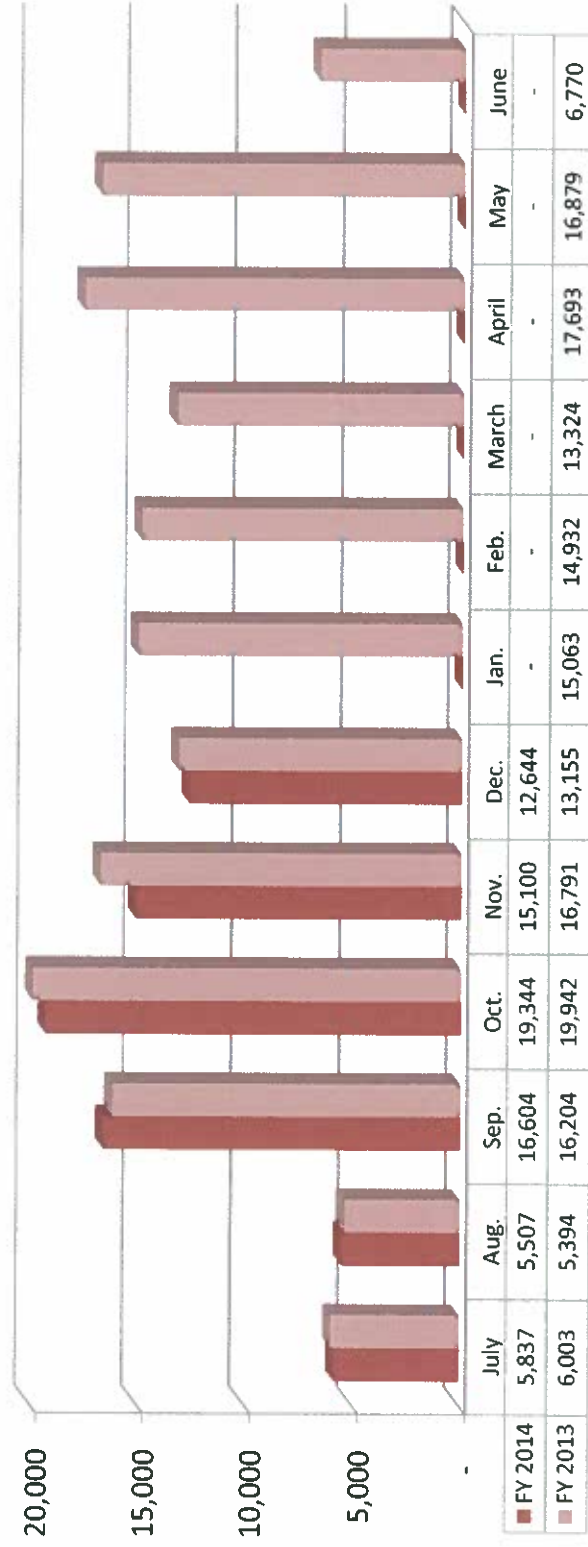
GONVERMENT RELATIONS

During the past three months staff has attended meeting of Metro's Local Transit Service Subcommittee (LTSS), Access Services Board Meetings, and Metro's Bus Operations Subcommittee (BOS), and a Council Meeting at Rolling Hills Estates.

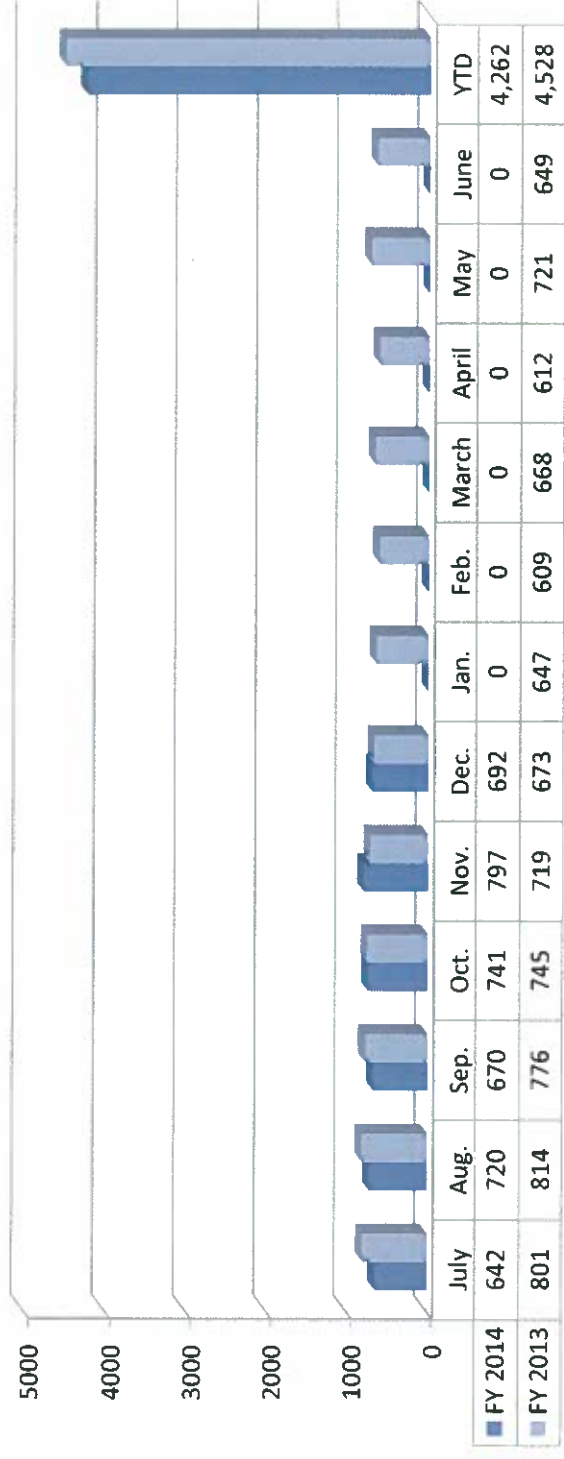
RECOMMENDATION

Receive and file report.

PV TRANSIT RIDERSHIP



Dial-A-Ride/Lift Ridership Palos Verdes Peninsula Transit Authority



MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: February 21, 2014
SUBJECT: Financial Statements for the period ending December 31, 2013

Attached are the Financial Statements for the period ending December 31, 2013

The first report presented is Management Analysis-Budget vs. Actual. The results of this report are analyzed below. The following two reports are Profit and Loss YTD Comparison and Balance Sheet generated by the Quick Books accounting software.

Budget vs. Actual

Total expenses for Fiscal Year 2014 totaled \$1,147,162, 3.11% below budgeted amounts.

Fuel expenses totaled \$55,288, 30% below budget. This was the result of a \$28,337 payment from the IRS for the Alternative Fuel Credit (Form 8849) for propane fuel purchased in 2012. Propane and CNG fuel costs have increased recently due to the cold spell in eastern part of the country.

Fixed Route operating fees were \$9,669 below budget (1%) due to a lower than budgeted hourly service rate and fewer charters.

Dial-A-Ride operating fees were 3.96% below budget due to a drop in ridership.

Charges for Services

Passenger revenue totaled \$209,870 for the fiscal year. This was \$1,258 above budget.

Government Revenue

PV Transit is current with all grant payments from Metro and member agencies as of December 31, 2013.

Attachments
-Financial Statements

Palos Verdes Peninsula Transit Authority
Management Analysis
Budget vs. Actual
YTD December 31, 2013

	<u>YTD 12/31/13</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% Diff</u>
Operating Revenue				
Charges for Services				
Fixed Route	\$ 180,017	\$ 176,762	\$ 3,255	1.84%
Dial-A-Ride	\$ 27,476	\$ 26,850	\$ 626	2.33%
Bus Rental	\$ 2,100	\$ -	\$ 2,100	N/A
Charters	\$ 276	\$ 5,000	\$ (4,724)	0.0%
TOTAL OPERATING REVENUE	\$ 209,870	\$ 208,612	\$ 1,258	0.6%
Operating Expenses				
Operator Fees				
Fixed Route	\$ 634,845	\$ 644,514	\$ (9,669)	-1.5%
Dial-A-Ride	\$ 84,038	\$ 87,500	\$ (3,462)	-3.96%
Subtotal	\$ 718,883	\$ 732,014	\$ (13,131)	-1.79%
Contract Administration	\$ 103,706	\$ 105,600	\$ (1,894)	-1.79%
Fuel Purchases	\$ 55,288	\$ 79,900	\$ (24,612)	-30.8%
Marketing and Promotions	\$ 7,332	\$ 9,000	\$ (1,668)	-18.53%
Facility Leasing	\$ 40,858	\$ 39,529	\$ 1,329	3.36%
Other operating Expenses	\$ 34,075	\$ 30,900	\$ 3,175	10.27%
Depreciation	\$ 187,020	\$ 187,000	\$ 20	0.01%
Subtotal	\$ 428,280	\$ 451,929	\$ (23,649)	-5.23%
TOTAL EXPENSE	\$ 1,147,162	\$ 1,183,943	\$ (36,780)	-3.11%
OPERATING LOSS	\$ (937,293)	\$ (975,331)	\$ 38,038	-3.9%

Palos Verdes Peninsula Transit Authority
Balance Sheet
As of December 31, 2013

	<u>Dec 31, 13</u>
ASSETS	
Current Assets	
Checking/Savings	
101.00 · Cash and cash equivalents	1,188,238.89
Total Checking/Savings	<u>1,188,238.89</u>
Accounts Receivable	
120.00 · Due from other governments	119,411.78
Total Accounts Receivable	<u>119,411.78</u>
Other Current Assets	
140.00 · Prepaid Expense	19,693.14
1499 · Undeposited Funds	9,893.00
Total Other Current Assets	<u>29,586.14</u>
Total Current Assets	1,337,236.81
Fixed Assets	
212.00 · Accum. Depreciation - Vehicles	-1,898,265.15
212.10 · Accum Deprec Infrastructures	-3,614.17
15900 · Leasehold Improvements	12,449.00
16400 · Vehicles	3,785,851.90
Total Fixed Assets	<u>1,896,421.58</u>
TOTAL ASSETS	<u><u>3,233,658.39</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
310.00 · Vouchers Payable	163,481.25
Total Accounts Payable	<u>163,481.25</u>
Credit Cards	
Wells Fargo Business Card	742.54
Total Credit Cards	<u>742.54</u>
Total Current Liabilities	164,223.79
Long Term Liabilities	
355.00 · Deferred Rent	7,283.00
Total Long Term Liabilities	<u>7,283.00</u>
Total Liabilities	171,506.79
Equity	
3900 · Retained Earnings	3,055,322.56
Net Income	6,829.04
Total Equity	<u>3,062,151.60</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,233,658.39</u></u>

Palos Verdes Peninsula Transit Authority
Profit & Loss
 July through December 2013

	<u>Jul - Dec 13</u>
Ordinary Income/Expense	
Income	
46400 · Other Types of Income	2,100.00
551.00 · Governmental Sources	0.00
504.04 · Route 225/226 Operating Support	115,644.00
500.00 · Charges for Services	<u>207,414.63</u>
Total Income	325,158.63
Expense	
621.03 · Facility Leasing	40,858.25
620.00 · Operator fees	718,882.73
660.00 · Marketing and promotions	7,332.20
650.00 · Fuel Purchases	55,288.27
640.00 · Depreciation	187,020.00
630.00 · Contract administration	103,706.22
680.00 · Other Operating Expense	<u>34,074.77</u>
Total Expense	<u>1,147,162.44</u>
Net Ordinary Income	-822,003.81
Other Income/Expense	
Other Income	
551.01 · LA County Grant	376,000.00
556.00 · MTA Funding	0.00
750.00 · City Prop A exchange	0.00
900.00 · Interest Income	243.85
920.00 · Member contributions	<u>452,589.00</u>
Total Other Income	<u>828,832.85</u>
Net Other Income	<u>828,832.85</u>
Net Income	<u><u>6,829.04</u></u>
Net Assets, Beginning of year	<u>3,055,322.56</u>
Net Assets, Ending of year	<u><u>3,062,151.60</u></u>

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MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: February 21, 2014
SUBJECT: Fiscal Year 2012-13 Audit

BACKGROUND

Fiscal Year 2012-13 Audit

The firm of Macias Gini & O'Connell will present the audit to the Audit Committee for review on February 27, 2014 prior to the regular Board Meeting.

A copy of the final audit report is attached.

Fiscal Year 2013-14 Audit

A copy of Macias Gini & O'Connell's proposal to perform FY 2013-14 audit services is attached. Their proposed fee of \$15,485 is a slight increase over current year totals.

RECOMMENDATION

Receive and file the audit report.

Approve engagement of Macias Gini & O'Connell to perform FY 2013-14 audit services for a price not-to-exceed \$15,485.

January 15, 2014

To Members of the Audit Committee
Palos Verdes Peninsula Transit Authority
P.O. Box 2656
Palos Verdes Peninsula, CA 90274

We are pleased to confirm our understanding of the services we are to provide to the Palos Verdes Peninsula Transit Authority (Authority) for the year ended June 30, 2014. We will audit the financial statements of the Authority, including the related notes to the financial statements, which collectively comprise the financial statements of the Authority as of and for the year ended June 30, 2014. We will assist management in the preparation of the draft financial statements and notes from your trial balance and other records. The financial statements will be presented in comparative form for two years.

We have also been engaged to report on supplementary information that accompanies Authority's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole.

1) Schedule of Revenues and Expenses by Category

We will also prepare the State Controller's Report in accordance with the requirements as prescribed by the California State Controller for the following:

- 1) Palos Verdes Peninsula Transportation Authority
- 2) Palos Verdes Peninsula Transportation Authority – Specialized Service

Audit Objectives

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Authority and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. You agree to assume all management responsibilities for any nonaudit services we provide; oversee the services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, violations of contracts or grant agreements, or abuse that we may report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on

internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Authority; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Macias Gini & O'Connell, LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to Federal agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Macias Gini & O'Connell, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party (ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately December 1, 2014 and to issue our reports no later than December 31, 2014 and issue the State Controller's Report no later than 90 days after June 30, 2013 or 110 days after June 30, 2014 if filed electronically. James V. Godsey is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$15,485. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Authority and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



James V. Godsey
MACIAS GINI & O'CONNELL, LLP
Certified Public Accountants

RESPONSE:

This letter correctly sets forth the understanding of the Palos Verdes Peninsula Transit Authority.

Management signature: _____

Title: _____

Date: _____

**PALOS VERDES PENINSULA
TRANSIT AUTHORITY**

Annual Financial Report

For the Years Ended June 30, 2013 and 2012

Certified Public Accountants.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Annual Financial Report
For the Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors of the
Palos Verdes Peninsula Transit Authority

We have audited the accompanying financial statements of the Palos Verdes Peninsula Transit Authority (Authority) as of and for the years ended June 30, 2013 and 2012, 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.

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2013 and 2012, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis 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 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues and Expenses by Category are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Revenues and Expenses by Category is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses by Category is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014 on our consideration of the Authority's internal control over financial reporting and on 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, 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 Authority's internal control over financial reporting and compliance.

Macias Jini & O'Connell LLP

Los Angeles, California
January 24, 2014

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Net Position
June 30, 2013 and 2012

	2013	2012
Assets:		
Current assets:		
Cash and investments	\$ 542,087	\$ 796,839
Due from other governments	663,007	714,678
Accounts receivable	1,473	360
Prepaid expenses	11,909	19,914
Total current assets	1,218,476	1,531,791
Capital assets, net of accumulated depreciation	1,944,649	1,161,819
Total assets	3,163,125	2,693,610
Liabilities:		
Accounts payable	101,557	165,101
Deferred rent	6,246	-
Capital lease payable	-	31,710
Total liabilities	107,803	196,811
Net Position:		
Net investment in capital assets	1,944,649	1,130,109
Unrestricted	1,110,673	1,366,690
Total net position	\$ 3,055,322	\$ 2,496,799

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Charges for services	\$ 363,959	\$ 391,465
Route 225/226 operating support	225,296	222,192
Governmental sources	32,200	32,200
Total operating revenues	<u>621,455</u>	<u>645,857</u>
Operating expenses:		
Operator fees	1,607,933	1,533,487
Contract administration	207,412	207,412
Depreciation	302,741	294,910
Fuel purchases	183,165	216,540
Marketing and promotions	9,206	6,986
Other operating expenses	62,581	133,611
Total operating expenses	<u>2,373,038</u>	<u>2,392,946</u>
Operating loss	<u>(1,751,583)</u>	<u>(1,747,089)</u>
Nonoperating revenues (expenses):		
Interest income	2,204	3,778
Interest expense	(240)	(4,492)
Los Angeles County grants	376,000	376,000
Other County grants	397,465	382,485
Member contributions	862,074	862,074
Gain on sale of capital assets	12,883	2,900
Other expense - City of Cudahy Prop A Exchange	(300,000)	(187,500)
Other expense - City of Bell Prop A Exchange	(350,000)	-
Other income - City of Cudahy Prop A Exchange	375,000	250,000
Other income - City of Bell Prop A Exchange	467,000	-
Total nonoperating revenues (expenses)	<u>1,842,386</u>	<u>1,685,245</u>
Change in net position before capital contributions	90,803	(61,844)
Capital contributions	467,720	442,740
Change in net position	558,523	380,896
Net position, beginning of year	2,496,799	2,115,903
Net position, end of year	<u>\$ 3,055,322</u>	<u>\$ 2,496,799</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 359,453	\$ 391,596
Cash received from Route 225/226 operating support	205,616	243,585
Cash received from government agencies	32,200	-
Cash paid to suppliers of goods or services	<u>(2,119,590)</u>	<u>(1,937,456)</u>
Net cash used by operating activities	<u>(1,522,321)</u>	<u>(1,302,275)</u>
Cash flows from noncapital financing activities:		
County grants received	765,975	567,342
Member contributions received	576,568	1,216,619
Cash paid to City of Cudahy for Prop A exchange	(300,000)	(187,500)
Cash received from City of Cudahy for Prop A exchange	300,000	250,000
Cash paid to City of Bell for Prop A exchange	(350,000)	-
Cash received from City of Bell for Prop A exchange	467,000	-
Cash received from capital contribution	<u>910,460</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>2,370,003</u>	<u>1,846,461</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(1,091,488)	(721,910)
Proceeds from sale of capital assets	18,800	2,900
Principal paid on capital lease obligations	(31,710)	(123,308)
Interest paid on capital lease obligations	<u>(240)</u>	<u>(4,492)</u>
Net cash used by capital and related financing activities	<u>(1,104,638)</u>	<u>(846,810)</u>
Cash flows from investing activities:		
Net proceeds from the sale of investments (net cash used in the purchase of investments)	397,867	(716,047)
Interest received	<u>2,204</u>	<u>3,778</u>
Net cash used for investing activities	400,071	(712,269)
Net increase (decrease) in cash	143,115	(1,014,893)
Cash, beginning of year	<u>80,792</u>	<u>1,095,685</u>
Cash, end of year	<u>\$ 223,907</u>	<u>\$ 80,792</u>
Reconciliation of cash and investments to the statement of net position:		
Cash	223,907	80,792
Investments	<u>318,180</u>	<u>716,047</u>
Total cash and investments	<u>\$ 542,087</u>	<u>\$ 796,839</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (1,751,583)	\$ (1,747,089)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	302,741	294,910
Changes in assets and liabilities:		
(Increase) in accounts receivable	(1,113)	(360)
(Increase) in due from other governments	(23,073)	(10,316)
Decrease (increase) in prepaid expenses	8,005	(4,521)
(Decrease) increase in accounts payable	(63,544)	165,101
Increase in deferred rent	6,246	-
Net cash used by operating activities	<u>\$ (1,522,321)</u>	<u>\$ (1,302,275)</u>

See accompanying notes to the basic financial statements.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements
For the Years Ended June 30, 2013 and 2012

(I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Palos Verdes Peninsula Transit Authority (Authority) was formed May 5, 1992 under a Joint Powers Agreement (JPA) with three local city governments, which are considered members, to provide public transportation on the Palos Verdes Peninsula. The local cities consist of Rancho Palos Verdes, Rolling Hills Estates and Palos Verdes Estates. Under the JPA, the members of the Board of the Authority are elected city council members who are appointed by their respective city council. The Board is responsible for setting policies and the review of operating decisions made by management. The Authority is considered a governmental entity. The Authority has no employees and all services are contracted, which are recorded as operating activities.

(b) Basic Financial Statements

The basic financial statements (i.e. Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows) report information on all of the enterprise activities of the Authority.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority operates as an enterprise fund. Enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Authority are charges for services and revenues received from the Los Angeles County Metropolitan Transportation Authority (Route 225/226 operating support) for services provided on their behalf. Operating expenses of the Authority include the cost of services, administrative expenses and depreciation on capital assets. Nonoperating revenues are comprised primarily of grants from Los Angeles County, member contributions, and Proposition A Local Return funds exchange with the cities of Cudahy and Bell through which the cities assign uncommitted Proposition A Local Return funds in exchange for Authority general funds.

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

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

(d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements and related disclosures. Accordingly, actual results could differ from those estimates.

(e) Reclassifications

Certain amounts presented in the 2012 financial statements have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the net increase in net position as previously reported.

(f) Assets, Liabilities, and Net Assets

1. Cash and Investments

Investments are stated at fair value (the amount at which financial instruments could be exchanged between willing parties other than in a forced or liquidation sale)

For purposes of the statement of cash flows, the Authority's cash is considered to be cash and cash equivalents, which consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

2. Due From Other Governments

Due From Other Governments balance consists primarily of grant receivables from Los Angeles County Metropolitan Transportation Authority and Los Angeles County Public Works. Total Due From Other Governments balance is \$663,007 and \$714,678 as of June 30, 2013 and 2012, respectively.

3. Capital Assets

Capital assets are comprised of transportation equipment (vehicles) and leasehold improvements and are stated at cost. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Depreciation has been provided over the estimated useful lives ranging from 5 to 10 years using the straight-line method.

4. Net Position

Net position is reported in three categories: net investment in capital assets, restricted assets, and unrestricted assets.

- Net investment in capital assets - This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

- Restricted net position – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments and constraints imposed by law through constitutional provisions and enabling legislation. The Authority had no restricted net position at June 30, 2013 and 2012.
- Unrestricted net position - This component represents net position of the Authority designated for tentative management plans that are subject to change.

(g) *Effects of New Pronouncements*

The Authority adopted the following Governmental Accounting Standards Board (GASB) statements for fiscal year 2013:

Issued in November 2010, GASB Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” addresses service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This statement requires disclosures about SCAs including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. This statement had no impact on the Authority’s financial statements.

Issued in November 2010, GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*,” modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, and financial reporting entity display and disclosure requirements. This statement had no material impact on the Authority’s financial statements.

Issued in December 2010, GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” incorporates into GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989 and does not conflict with or contradict GASB pronouncements: (a) Financial Accounting Standards Board (FASB) Statements and Interpretations, (b) Accounting Principles Board Opinions, and (c) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This statement had no material impact on the Authority’s financial statements.

Issued in June 2011, GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*,” provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and amends the net assets reporting requirements in GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*” and other pronouncements by incorporating deferred outflows

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. This statement had no material impact on the Authority's financial statements.

(2) DETAILED NOTES ON ENTERPRISE FUND

(a) Cash and Investments

Deposits and investments at June 30, 2013 and 2012 are as follows:

	2013	2012
Deposits in Bank	\$ 223,907	\$ 80,792
Local Agency Investment Fund (LAIF)	318,180	716,047
Total Cash and Investments	\$ 542,087	\$ 796,839

Investments Authorized by the Authority's Investment Policy:

Investment types authorized by the California Government Code include local agency bonds, U.S. Treasury obligations, U.S. Agency securities, banker's acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, reverse repurchase agreements, medium-term notes, mutual funds, money market mutual funds, mortgage pass-through securities, and Local Agency Investment Fund (LAIF) administered by the State of California. The Authority's investment policy only authorizes investment in the LAIF administered by the State of California.

The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosure Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

Disclosure Relating to Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk:

The investment policy of the Authority contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2013 and 2012, there were no investments in any one issuer (other than the external investment pool) that represent 5% or more of the total Authority investments.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain any legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. None of the Authority's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Investment in State Investment Pool:

The Authority is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the value provided by LAIF from the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by LAIF, which are recorded on an amortized cost basis.

The total amount invested in all public agencies in LAIF as of June 30, 2013 and 2012, was \$21.2 and \$21.9 billion, respectively. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2013 and 2012 had a balance of \$58.8 and \$60.5 billion, respectively. Of those amounts, 1.96% in 2013 and 3.47% in 2012 were invested in medium-term and short-term structured notes and asset backed securities. The average maturity of PMIA investments as of June 30, 2013 and 2012 was 278 and 270 days, respectively.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

(b) Government Revenues and Due From Other Government

Under the Joint Powers Agreement, each of the three participating cities contributes revenue to the Authority. Participation is based on each City's proportionate share of the Palos Verdes Peninsula's total population. In addition, the County of Los Angeles and the Los Angeles County Metropolitan Transportation Authority provide revenue under contractual relationships with the Authority.

Revenues received from other governments during the fiscal year and the related receivables at June 30, 2013, are listed below:

	Revenue	Due From Other Governments
City participation:		
Rancho Palos Verdes	\$ 569,562	\$ 285,506
Rolling Hills Estates	111,962	-
Palos Verdes Estates	180,550	-
	862,074	285,506
Los Angeles County - Public Works	408,200	32,200
Los Angeles County - Metropolitan Transportation Authority	865,185	270,301
City of Cudahy	375,000 (1)	75,000
City of Bell	467,000 (2)	-
	\$ 2,510,459	\$ 663,007

- (1) On May 23, 2013, the Authority and City of Cudahy, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in the financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Cudahy assigned \$375,000 of uncommitted Proposition A Local Return funds in exchange for \$300,000 of Authority general funds. This transaction was recorded in the accompanying financial statements' nonoperating activities section as other income and other expense.
- (2) On July 26, 2012, the Authority and the City of Bell, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in the financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Bell assigned \$467,000 of uncommitted Proposition A Local Return funds in exchange for \$350,000 of Authority General Funds. This transaction was recorded in the accompanying financial statements' nonoperating activities section as other income and other expense.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

Revenues received from other governments during the fiscal year and the related receivables at June 30, 2012, are listed below:

	Revenue	Due From Other Governments
City participation:		
Rancho Palos Verdes	\$ 569,562	\$ -
Rolling Hills Estates	111,962	-
Palos Verdes Estates	180,550	-
	862,074	
Los Angeles County - Public Works	408,200	32,200
Los Angeles County - Metropolitan Transportation Authority	825,225	682,478
City of Cudahy	250,000 (3)	-
	\$ 2,345,499	\$ 714,678

(3) On January 14, 2012, the Authority and City of Cudahy, California, entered into an Assignment Agreement to exchange Proposition A Local Return funds to assist in financing of the Authority's fixed route transit operations, and to provide funds for acquisition of new transit related equipment. Per the agreement, the City of Cudahy assigned \$250,000 of uncommitted Proposition A Local Return funds in exchange for \$187,500 of Authority general funds. This transaction was recorded in the accompanying financial statements' nonoperating activities section as other income and other expense.

(c) Capital Assets

Following is a summary of activities for capital assets for the year ended June 30, 2013:

	Beginning of Year	Additions	Deletions	End of Year
Vehicles	\$ 3,323,049	\$ 1,091,488	\$ (767,478)	\$ 3,647,059
Leasehold improvements	12,449	-	-	12,449
Less:				
Accumulated depreciation	(2,173,679)	(302,741)	761,561	(1,714,859)
	\$ 1,161,819	\$ 788,747	\$ (5,917)	\$ 1,944,649

Depreciation expense for the year ended June 30, 2013 was \$302,741.

For the fiscal year ended June 30, 2013, the Authority acquired new buses totaling \$1,091,488, of which \$467,720 were purchased using federal Congestion Mitigation/Air Quality (CMAQ) funds (capital contributions) received from the Los Angeles County Metropolitan Transportation Authority. The purpose of the funds was for the replacement of compressed natural gas (CNG) fueled buses for the Authority. The Authority disposed of the replaced buses with an aggregate

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

remaining salvage value of \$5,917. The buses were sold for \$18,800, resulting in gain on disposal of \$12,883.

Following is a summary of activities for capital assets for the year ended June 30, 2012:

	Beginning of Year	Additions	Deletions	End of Year
Vehicles	\$ 2,724,111	\$ 711,436	\$ (112,498)	\$ 3,323,049
Leasehold improvements	1,975	10,474	-	12,449
Less:				
Accumulated depreciation	(1,991,267)	(294,910)	112,498	(2,173,679)
	<u>\$ 734,819</u>	<u>\$ 427,000</u>	<u>\$ -</u>	<u>\$ 1,161,819</u>

Depreciation expense for year ended June 30, 2012 was \$294,910.

For the fiscal year ended June 30, 2012, the Los Angeles County Metropolitan Transportation Authority granted the Authority \$442,740 (capital contributions) in federal CMAQ funds. The purpose of the funds was for the replacement of ten (10) CNG fueled buses for the Authority.

(d) Capital Lease Obligations

Following is a summary of activities for capital lease obligations for the year ended June 30, 2013:

	Beginning of Year	Additions	Deletions	End of Year	Due within One Year
Capital lease obligations	<u>\$ 31,710</u>	<u>\$ -</u>	<u>\$ (31,710)</u>	<u>\$ -</u>	<u>\$ -</u>

Following is a summary of activities for capital lease obligations for the year ended June 30, 2012:

	Beginning of Year	Additions	Deletions	End of Year	Due within One Year
Capital lease obligations	<u>\$ 155,018</u>	<u>\$ -</u>	<u>\$ (123,308)</u>	<u>\$ 31,710</u>	<u>\$ 31,710</u>

In July 2009, the Authority entered into a lease agreement for the financing of the acquisition of four vehicles. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The financing was obtained from Wells Fargo Equipment Finance Incorporation in July 2009 for \$357,812 with an interest rate of 4.54% and 36 monthly payments of \$10,650 through the end of the lease. The outstanding balance at June 30, 2013 and 2012 was \$0 and \$31,710, respectively.

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Years Ended June 30, 2013 and 2012

(e) Net Position, Unrestricted

The operating reserves are adjusted annually by 10% of the change (increase/decrease) in operating expense budget. The remaining unrestricted net position is designated for vehicle replacement.

Following is a summary of unrestricted net position:

	June 30, 2013	June 30, 2012
Designated for operating reserves	\$ 174,020	\$ 163,507
Designated for vehicle replacement	936,653	1,203,183
	\$ 1,110,673	\$ 1,366,690

(f) Operating Leases

The Authority leases office and parking space from Palos Verdes Peninsula Unified School District (School District). The lease is renewable annually by mutual agreement. The School District agreed to abate all rents in lieu of payment of \$1 per year.

The Authority also leases a bus parking area at the Joint Water Pollution Control Plant in Carson from Los Angeles County Sanitation District. The monthly rent is \$6,475 and subject to automatic annual adjustments of three percent (3%) effective December 1 of each year. The future minimum payments are as follows as of June 30, 2013:

Year Ending June 30,	Operating Lease Payment
2014	81,432
2015	83,874
2016	86,391
2017	36,438
Total	\$ 288,135

(3) Related Party Transactions

Member cities under the Joint Power Agreement, Rancho Palos Verdes, Rolling Hills Estates, and Palos Verdes Estates, provide contributions to the Authority. City council members are also on the board of directors at the Authority. The contributions paid to the Authority for the year ended June 30, 2013 and 2012 were \$862,074 and \$862,074, respectively.

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SUPPLEMENTARY INFORMATION

PALOS VERDES PENINSULA TRANSIT AUTHORITY
Schedule of Revenues and Expenses by Category
For the Years Ended June 30, 2012 and 2011
(Unaudited)

	2013				
	General and Administrative	Charter	Dial-a-Ride	Fixed Route	Total
Operating revenues:					
Charges for services	\$ -	\$ 4,625	\$ 50,421	\$ 308,913	\$ 363,959
Governmental sources	-	-	-	32,200	32,200
Route 225/226 operating support	-	-	-	225,296	225,296
Total operating revenues	<u>-</u>	<u>4,625</u>	<u>50,421</u>	<u>566,409</u>	<u>621,455</u>
Operating expenses:					
Operator fees	-	8,700	175,490	1,423,743	1,607,933
Contract administration	-	-	41,482	165,930	207,412
Depreciation	-	-	-	302,741	302,741
Fuel purchases	-	-	-	183,165	183,165
Marketing and promotions	-	-	3,065	6,141	9,206
Other operating expenses	7,459	-	8,954	46,168	62,581
Total operating expenses	<u>7,459</u>	<u>8,700</u>	<u>228,991</u>	<u>2,127,888</u>	<u>2,373,038</u>
Operating income (loss)	<u>\$ (7,459)</u>	<u>\$ (4,075)</u>	<u>\$ (178,570)</u>	<u>\$ (1,561,479)</u>	<u>\$ (1,751,583)</u>

(Continued)

2012

General and Administrative	Charter	Dial-a-Ride	Fixed Route	Total
\$ -	\$ 17,703	\$ 50,051	\$ 323,711	\$ 391,465
-	-	-	32,200	32,200
-	-	-	222,192	222,192
-	17,703	50,051	578,103	645,857
-	12,423	176,256	1,344,808	1,533,487
-	-	41,482	165,930	207,412
-	-	-	294,910	294,910
-	-	-	216,540	216,540
-	-	884	6,102	6,986
6,354	-	11,424	115,833	133,611
6,354	12,423	230,046	2,144,123	2,392,946
\$ (6,354)	\$ 5,280	\$ (179,995)	\$ (1,566,020)	\$ (1,747,089)



**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***

To the Board of Directors of the
Palos Verdes Peninsula Transit Authority

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 Palos Verdes Peninsula Transit Authority (Authority), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements are free from material misstatement, we performed tests of its 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. 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*.

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.

Macias Fini & O'Connell LLP

Los Angeles, California

January 24, 2014

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: February 21, 2014
SUBJECT: Bus Advertising

BACKGROUND

This item was presented at the October 2013 Board Meeting. Board Members had several questions regarding the Master Sales Agreement, primarily related to Advertising Guidelines on page 8.

After reviewing the document with the Authority's attorney, several changes were made to the Advertising guidelines including #8 and the additional of #11 through #14. Staff will review these items at the Board Meeting.

RECOMMENDATION

Approve the Master Sales Agreement. Provide direction to staff on advertising sales.

MASTER SALES AGREEMENT

This Master Sales Agreement ("Master Agreement"), entered into this ____ day of _____, _____, ("Execution Date"), by and between the Palos Verdes Peninsula Transit Authority ("Authority") and **NAME OF ADVERTISER**. ("Advertiser"), is made with reference to the following:

RECITALS

- A. The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California with the power to carry on its business as it is now being conducted under the statutes of the State of California and the governing instruments of the Authority.
- B. Advertiser is qualified to do business, and is doing business, in the State of California.
- C. The Authority and Advertiser desire to enter into an agreement for Authority to license advertising space on the Authority's transit buses to Advertiser upon the terms and conditions set forth below.

NOW, THEREFORE, it is mutually agreed by and between the undersigned parties as follows:

TERMS AND CONDITIONS

1. **Term.** This Master Agreement commences on the Execution Date, and terminates on XXXXX, 2014 ("Termination Date"). No Advertising Insertion Order ("Order") may extend beyond the Termination Date.
2. **Sale of Advertising Space.** Subject to the terms and conditions contained herein, the Authority agrees to sell available advertising space to Advertiser. At any time after the Execution Date, Advertiser may purchase available advertising space by submitting to the Authority a completed Order, in the form attached hereto as Exhibit A or as later amended by Authority.
3. **Advertising Insertion Orders.** Advertiser must provide the Authority's Advertising Coordinator with the requested start date, end date, and number and type of advertisements to determine if the Authority has available advertising inventory. If the Authority has available advertising inventory, the Advertising Coordinator will complete an Order and forward the Order to Advertiser. Advertiser must sign and return the Order to the Advertising Coordinator to reserve the advertising inventory for the Order.
4. **Installation of Advertising Media.**
 - 4.1. Thirty days prior to the start date indicated on an Order, Advertiser must submit a digital image (in .jpeg format) of the creative for the Order ("Creative"). The Advertising Coordinator will review the Crea-

tive for compliance with the Authority's advertising guidelines ("Guidelines"). If the Creative complies with the Guidelines, the Advertising Coordinator will acknowledge receipt of the Creative; if it does not comply, the Advertising Coordinator will inform Advertiser why the Creative is not in compliance.

- 4.2. Fourteen days prior to the start date indicated on the Order, Advertiser must provide the final advertising media ("Media") to the Authority's designee for posting. Any delay in the receipt of the Media may result in a delay in the start date for the Order.
- 4.3. The Authority will cause all Media to be installed within three days of the start date indicated on each Order. Upon complete installation, the Advertising Coordinator will send Advertiser a posting complete notice, location list and photographs of installed Media.
5. **Compensation.** Authority will invoice Advertiser within 30 days of the start date on each Order. Advertiser must pay the Authority for advertising space in accordance with each Order.
6. **Notices.** All notices, demands, requests or approvals to be given under this Master Agreement must be given in writing and will conclusively be deemed served when delivered personally or on the third business day after deposit in the United States mail, postage prepaid, registered or certified, addressed as follows:
 - 6.1. All notices, demands, requests or approvals from Advertiser to Authority must be addressed to Authority at:

Palos Verdes Peninsula Transit Authority
P.O. Box 2656
Palos Verdes Peninsula, CA 90274

- 6.2. All notices, demands, requests or approvals from Authority to Advertiser must be addressed to Advertiser at:

NAME
ADDRESS
AUTHORITY, STATE, ZIP
Attention: **NAME**

- 6.3. Either Authority or Advertiser may, from time to time by notice in writing served upon the other party, designate a different address or a different individual to whom all notices, demands, requests or approvals are thereafter to be addressed.

7. **Independent Parties.** Both parties to this Master Agreement will be acting in an independent capacity and not as agents, employees, partners, or joint ventures of one another.
8. **Integrated Contact.** This Master Agreement, and each Order submitted pursuant to this Master Agreement, represents the full and complete understanding of every kind or nature whatsoever between the parties hereto, and all preliminary negotiations and agreements of whatsoever kind or nature are merged herein. No oral agreement or implied covenant may be held to vary the provisions hereof. Any modifications of this Master Agreement will be effective only by written modification signed by both the Authority and Advertiser, and approved as to form by the Authority Attorney.
9. **Advertising Guidelines.** The Guidelines are attached hereto as Exhibit B and incorporated by this reference. Advertiser acknowledges that the Authority cannot accept any Order that does not comply with the Guidelines. Advertiser further acknowledges that the Authority may amend the Guidelines from time to time, and that such amendment may occur without notice to Advertiser. Upon request, the Authority will provide Advertiser with a copy of the current Guidelines.
10. **Defense, Indemnification and Hold Harmless.** Advertiser agrees to indemnify, defend and hold harmless the Authority from and against any and all claims, damages, losses, expenses or liabilities, including, but not limited to, reasonable attorneys' fees, arising out of or resulting from any patent, copyright and other infringement claim by any third party in connection with any Order issued pursuant to this Master Agreement. This section survives the termination of this Master Agreement.
11. **Prohibition against Transfers.**
 - 12.1. Advertiser may not assign, hypothecate, or transfer this Master Agreement or any interest therein directly or indirectly, by operation of law or otherwise without the prior written consent of Authority. Any attempt to do so without Authority's consent is null and void, and any assignee, hypothecatee or transferee acquires no right or interest by reason of such attempted assignment, hypothecation or transfer.
 - 12.2. The sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Advertiser or of any general partner or joint venturer or syndicate member of Advertiser, if a partnership or joint venture or syndicate exists, which results in changing the control of Advertiser, is an assignment of this Master Agreement. Control means fifty percent (50%) or more of the voting power of the corporation.

12. **Waiver.** A waiver by either party to this Master Agreement of any breach of any term, covenant, or condition cannot be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, or condition contained herein.
13. **Termination.** Either party may, with or without cause, terminate this Master Agreement by giving 30 days' written notice to the other party. Upon termination of this Master Agreement, Advertiser will pay to the Authority any compensation owed and unpaid up to the effective date of termination.
14. **Compliance with Law.** Advertiser must comply with all laws of the State of California and the United States, and all ordinances, rules and regulations enacted or issued by Authority. If such ordinances, rules or regulations enacted or issued by Authority after the effective date of this Master Agreement significantly impact Advertiser's performance of its obligations under this Master Agreement, equitable adjustment may be made to the time of performance, the compensation, or both, as appropriate.
15. **Records.** The Authority will maintain complete and accurate records of each Order issued pursuant to this Master Agreement with respect to costs, expenses, receipts and other such information required for any services provided. Upon Advertiser's reasonable request, the Authority will make such records available to Advertiser and/or Advertiser's broker or designee for inspection.
16. **Standard of Care.** The Authority will perform all services hereunder in a manner consistent with that level of care and skill ordinarily exercised by members of the profession currently practicing in the same locality under similar conditions.
17. **Force Majeure.** The Authority or Advertiser will not be in violation of this Master Agreement if any of the following prevent performance of any obligation: severe weather, storms, earthquakes or other natural occurrences; strikes or other labor unrest; power failures, nuclear or other civil or military emergencies; or acts of legislative, judicial, executive or administrative authorities.
18. **Governing Law.** This Master Agreement will be construed in accordance with and governed by the laws of the State of California, without regard to its choice of law provisions.
19. **Venue and Jurisdiction.** The parties agree that the Services will take place in Los Angeles County. Any litigation arising out of this Master Agreement must be brought in either the United States District Court, Central District of California, or the Superior Court of California, County of Los Angeles, as appropriate. The parties agree that venue exists in either

court, and each party expressly waives any right to transfer to another venue. The parties further agree that either court will have personal jurisdiction over the parties to this Master Agreement.

IN WITNESS WHEREOF, the parties have caused this Master Agreement to be executed the day and year first above written.

ATTEST:

PALOS VERDES PENINSULA
TRANSIT AUTHORITY,

James F. Goodhart
Secretary-Treasurer

Martin Gombert
Administrator

APPROVED AS TO FORM:

Darold Pieper
Authority Attorney

ADVERTISER
[Click here to enter text.](#)

By:

Name: [Click here to enter text.](#)
Title:

EXHIBIT A
ADVERTISING INSERTION ORDER FORM
(ATTACHED)

ADVERTISING INSERTION ORDER NO. **Order Number**

To:	Advertiser Street Address Street Address Authority, State Zip Code	From:	Palos Verdes Peninsula Transit Authority, P.O. Box 2656, Palos Verdes Peninsula, CA 90274
Phone:	Phone Number	Phone:	(310) 544-7108
Email:	Email Address	Email:	pvtransit@palosverdes.com

This Advertising Insertion Order is governed by and is subject to all terms and conditions contained in the Master Sales Agreement between Advertiser and the Authority executed on month, date, year. This Advertising Insertion Order is not valid until signed and returned to the Transit Community Relations Officer

Display Type:	Display Type	No. of Units:	Number of Units
Display Specs:	Display Specifications	Price Per Unit:	Price per Unit
Start Date:	Campaign Start Date	Contract No.:	Contract Number
End Date:	Campaign End Date	Term:	Number of days/weeks

Total Contract Price: **No. of Units x Price Per Unit**
No. of Units x Price Per Unit

Thirty days prior to Start Date, Advertiser must forward Creative to Authority for compliance review.

Cancellation Deadline: 60 days prior to start date
Cancellation Fee: 10% of Gross Cost if cancelled after cancellation deadline

Authority will invoice Advertiser within thirty days of the Start Date. Advertising must pay invoice within thirty days of receipt.

Special Instructions: **Enter any special instructions**

Client Signature: _____

Date: _____

EXHIBIT B

ADVERTISING GUIDELINES

The Authority may change these advertising guidelines at any time and without notice to Advertiser. Advertiser may contact the Authority to obtain the current advertising guidelines.

The Authority only licenses advertising space for commercial advertisements. A commercial advertisement has as its primary purpose the promotion of a product for sale or a service for hire by the public generally.

The Authority cannot license advertising space for any prohibited advertisements. An advertisement is prohibited if it that meets one or more of the following criteria:

1. Causes the vehicle, if posted individually or in combination with other advertisements, to become a public forum for the dissemination, debate, or discussion of any such issues;
2. Is not a commercial advertisement;
3. Contains false, misleading or deceptive information;
4. Contains material that is explicitly sexual, obscene, or harmful to minors as those terms as defined in California Penal Code section 311;
5. Advocates, promotes or incites violence or illegal activity;
6. Ridicules, derides, embarrasses, or defames any individual, group of individuals, or entity;
7. Contains language that presents a clear and present danger of causing any riot, disorder, or other imminent threat to public safety, peace or order;
8. Contains any direct or indirect promotion of the sale or use of alcoholic beverages, tobacco, firearms, and drugs that are not legal under federal or state law;
9. Interferes with safe and efficient provision of public transportation service;
10. Violates any copyright or other intellectual property right;
11. Advertising that portrays graphic violence;
12. Advertising that depicts sexually explicit, obscene and/or pornographic images or words;
13. Advertising for adult products, services or entertainment directed to sexual stimulation; or,
14. Advertising of contraceptive products or hygiene products of an intimately personal nature.

MEMORANDUM

TO: AUTHORITY MEMBERS
FROM: Martin Gombert, Administrator
DATE: February 21, 2014
SUBJECT: Election of Officers

BACKGROUND

The Joint Powers Agreement provides for annual election of Officers.

Shown below is a list of the current Officers:

Mr. John Addleman, Chairperson

Mrs. Susan Brooks, Vice Chairperson

Mr. James Goodhart, Secretary-Treasurer

The following offices need to be considered: Chair, Vice-Chair, and Secretary-Treasurer.

RECOMMENDATION

Elect officers for calendar year 2014.