

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Fiscal Years Ended June 30, 2022, and 2021

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Board of Commissioners
Ventura County Transportation Commission
Ventura, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Intercity Fund, which is funded by Transportation Development Act Article 6.5, the Local Transportation Development Act Article 3 Local Transportation Fund, and Greenhouse Gas Reduction Fund – Low Carbon Transit Operations Program funds (“VCTC Intercity Fund”) of the Ventura County Transportation Commission’s (“VCTC’s”), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the VCTC Intercity Fund of VCTC, as of June 30, 2022, and 2021, and the respective changes in financial position of the VCTC Intercity Fund of VCTC for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of VCTC and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the VCTC Intercity Fund of VCTC and do not purport to, and do not present fairly, the financial position of VCTC as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 VCTC Intercity Fund of VCTC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 6, 2022, on our consideration of VCTC's internal control over financial reporting for the VCTC Intercity Fund and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCTC's internal control over financial reporting and compliance.



Lake Forest, California
December 6, 2022

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Comparative Statement of Net Position

June 30, 2022, and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and investments (Note 3)	\$ 86,124	\$ 1,119,798
Accounts receivable	742	-
Due from other funds	1,195,753	-
Interest receivable	142	401
Due from other governments (Note 4)	320,205	429,759
Prepays	-	24,780
Total current assets	<u>1,602,966</u>	<u>1,574,738</u>
<u>Non-current assets:</u>		
Capital assets, net (Note 5)	9,400,604	11,205,749
Pension asset	10,055	-
OPEB asset	5,435	-
Total non-current assets	<u>9,416,094</u>	<u>11,205,749</u>
Total assets	<u>11,019,060</u>	<u>12,780,487</u>
<u>Deferred outflows of resources</u>		
Deferred outflows of resources - pensions	54,455	133,598
Deferred outflows of resources - OPEB	10,013	21,272
Total deferred outflows of resources	<u>64,468</u>	<u>154,870</u>
<u>Liabilities</u>		
Accounts payable	1,563,205	654,039
Unearned revenue (Note 6)	42,217	72,876
Due to other fund	-	648,809
Non-current liability due within one year	11,314	13,362
Total current liabilities	<u>1,616,736</u>	<u>1,389,086</u>
<u>Non-current liabilities:</u>		
Due beyond one year		
Net pension liability	-	191,349
Net OPEB liability	-	26,566
Total non-current liabilities	<u>-</u>	<u>217,915</u>
Total liabilities	<u>1,616,736</u>	<u>1,607,001</u>
<u>Deferred inflows of resources</u>		
Deferred inflows of resources - pensions	26,285	14,912
Deferred inflows of resources - OPEB	16,649	6,923
Total deferred inflows of resources	<u>42,934</u>	<u>21,835</u>
<u>Net position</u>		
Net investment in capital assets	9,400,604	11,205,749
Restricted for transportation (deficit)	23,254	100,772
Total net position	<u>\$ 9,423,858</u>	<u>\$ 11,306,521</u>

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Comparative Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Years Ended June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Passenger fares for transit services	\$ 322,080	\$ -
Organization paid fares (Note 8)	34,654	-
Passenger route guarantee	<u>900,892</u>	<u>753,815</u>
Total operating revenues	<u>1,257,626</u>	<u>753,815</u>
Operating expenses:		
Operations	<u>10,759,816</u>	<u>9,519,427</u>
Total operating expenses	<u>10,759,816</u>	<u>9,519,427</u>
Operating loss	<u>(9,502,190)</u>	<u>(8,765,612)</u>
Non-operating revenues:		
FTA grants	4,473,432	6,039,138
LCTOP funds	-	550,351
State Transit Assistance funds	3,044,562	351,191
Interest income	2,542	-
Other income	<u>98,991</u>	<u>227,466</u>
Total non-operating revenues	<u>7,619,527</u>	<u>7,168,146</u>
Non-operating expenses:		
Investment expense (Note 9)	<u>-</u>	<u>1,049</u>
Total non-operating expenses	<u>-</u>	<u>1,049</u>
Change in net position	(1,882,663)	(1,598,515)
Net position at beginning of year	<u>11,306,521</u>	<u>12,905,036</u>
Net position at end of year	<u>\$ 9,423,858</u>	<u>\$ 11,306,521</u>

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

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Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Cash received from passenger fares	\$ 321,338	\$ -
Cash received from organization paid fares	34,654	-
Cash received from route guarantee	900,892	753,815
Cash paid for operating costs, net of support	<u>(8,135,542)</u>	<u>(8,289,127)</u>
Net cash used for operating activities	<u>(6,878,658)</u>	<u>(7,535,312)</u>
Cash flow from non-capital financing activities:		
Cash received from FTA grants	4,632,918	5,886,055
Cash received from state transit assistance funds	1,200,000	1,195,914
Cash received from state grants	-	550,351
Cash received/(paid) from/to local contribution revenues	18,400	713
Cash received from miscellaneous sources	<u>-</u>	<u>264,274</u>
Net cash provided by noncapital financing activities	<u>5,851,318</u>	<u>7,897,307</u>
Cash flow from capital financing activities:		
Cash paid for acquisition of capital assets	<u>(9,135)</u>	<u>-</u>
Net cash used for capital financing activities	<u>(9,135)</u>	<u>-</u>
Cash from investing activities:		
Cash received/(paid) from/to interest received from investments	<u>2,801</u>	<u>(124)</u>
Net cash provided/(used) by/for investing activities	<u>2,801</u>	<u>(124)</u>
Net increase/(decrease) in cash and investments	(1,033,674)	361,871
Cash and investments, beginning of year	<u>1,119,798</u>	<u>757,927</u>
Cash and investments, end of year	<u>\$ 86,124</u>	<u>\$ 1,119,798</u>

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	<u>\$ (9,502,190)</u>	<u>\$ (8,765,612)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	1,814,280	1,865,737
Changes in operating assets and liabilities:		
Increase in accounts receivable	(742)	-
Decrease/(increase) in prepaids	24,780	(24,780)
Decrease/(increase) in deferred outflows of resources - pensions	79,143	(80,737)
Decrease/(increase) in deferred outflows of resources - OPEB	11,259	(2,047)
Increase/(decrease) in accounts payable	909,166	(542,430)
Increase/(decrease) in non-current liabilities due within one year	(2,048)	3,365
Increase/(decrease) in deferred inflows of resources - pensions	11,373	(1,774)
Increase/(decrease) in deferred inflows of resources - OPEB	9,726	(264)
Increase/(decrease) in non-current liabilities due beyond one year - pensions	(201,404)	15,588
Decrease in non-current liabilities due beyond one year - OPEB	<u>(32,001)</u>	<u>(2,358)</u>
Total adjustments	<u>2,623,532</u>	<u>1,230,300</u>
Net cash used for operating activities	<u>\$ (6,878,658)</u>	<u>\$ (7,535,312)</u>

Non-cash investing, capital, and financing activities:

The VCTC Intercity Services fund had no non-cash financing activity in fiscal years 2021-22 and 2020-21.

See accompanying notes to financial statements.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(1) **General Information**

The financial statements are intended to reflect the financial position and changes in financial position for the VCTC Intercity Services (“VCTC Intercity Fund”) of the Ventura County Transportation Commission (“VCTC”) only.

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

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

Fund Accounting

The accounts of VCTC are organized on the basis of funds and account groups. A fund is defined as an independent fiscal and accounting entity wherein operations of each fund are accounted for in a separate set of self-balancing accounts that record resources, related liabilities, obligations, reserves, and equity segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. VCTC accounts for the activity of the VCTC Intercity Fund in an Enterprise Fund.

Measurement Focus and Basis of Accounting

Enterprise Funds are accounted for using the accrual basis of accounting. The revenues are recognized in the accounting period when they are earned, and expenses are recognized in the accounting period in which the liability is incurred.

VCTC applies pronouncements of the Financial Accounting Standards Board (“FASB”) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

Capitalization Policy

The VCTC Intercity Fund capitalizes and depreciates assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

VENTURA COUNTY TRANSPORTATION COMMISSION

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

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

Deferred Outflows/Inflows of Resources

VCTC has adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* that was issued in June 2011. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue Recognition

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

For VCTC, funds received under Transportation Development Act Article 6.5, Section 99312(c) of the Public Utilities Code possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 6.5, Section 99313 and 99314, TDA Article 3, and revenues under Proposition 1B are recognized when related costs have been incurred. An unearned revenue arises when grant receipts are collected in excess of reimbursable costs incurred.

Fund operating revenues, such as passenger fares, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values.

Net Position

The components of net position reflect the component classifications described below.

- *Net Investment in Capital Assets* – this includes capital assets, net of depreciation, reduced by the outstanding balances of bonds and notes, if any, that are attributable to the acquisition, construction, or improvement of those assets. Applicable deferred outflows of resources and deferred inflows of resources, if any, should also be included in this component of net position.
- *Restricted* – this *includes* assets, mainly cash and investments, bound by constraints on resources that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

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

- *Unrestricted* – this includes the remaining balance of the net amount of assets, deferred outflows of resources that are not included in the determination of net investment in capital, or the restricted components of net position.

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

Use of Estimates

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

(3) **Cash and Investments**

VCTC has pooled its cash and investments in order to achieve a higher return on investments while facilitating the management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The VCTC Intercity Fund's cash and investments as of June 30, 2022, and 2021 were \$86,124 and \$1,119,798, respectively.

The VCTC Intercity Fund's cash is deposited in VCTC's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the VCTC Intercity Fund are those of VCTC and are included in VCTC's basic financial statements.

See VCTC's basic financial statements for disclosures related to cash and investments including those disclosures relating to interest rate risk, credit rate risk, custodial credit risk, and concentration risk.

(4) **Due from Other Governments**

Due from other governments consists of amounts due from the Federal Transit Administration, totaling \$320,205 and \$429,759, respectively, for years ended June 30, 2022, and 2021.

VENTURA COUNTY TRANSPORTATION COMMISSION

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(5) Capital Assets

Capital assets are recorded at cost and are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year, and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

Depreciation of capital assets in service is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. VCTC assigned the useful lives listed below to capital assets.

Bus, vehicle, and equipment 5-12 years

Capital assets consisted of the following as of June 30, 2022:

	<u>Balance on July 1, 2021</u>	<u>Additions / Transfers</u>	<u>Retirements</u>	<u>Balance on June 30, 2022</u>
Capital assets being depreciated:				
Vehicles and equipment	\$ 19,184,618	\$ 9,135	\$ -	\$ 19,193,753
Total capital assets being depreciated	<u>19,184,618</u>	<u>9,135</u>	<u>-</u>	<u>19,193,753</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>(7,978,869)</u>	<u>(1,814,280)</u>	<u>-</u>	<u>(9,793,149)</u>
Total accumulated depreciation	<u>(7,978,869)</u>	<u>(1,814,280)</u>	<u>-</u>	<u>(9,793,149)</u>
Capital assets, net	<u>\$ 11,205,749</u>	<u>\$(1,805,145)</u>	<u>\$ -</u>	<u>\$(9,400,604)</u>

Capital assets consisted of the following as of June 30, 2021:

	<u>Balance on July 1, 2020</u>	<u>Additions / Transfers</u>	<u>Retirements</u>	<u>Balance on June 30, 2021</u>
Capital assets being depreciated:				
Vehicles and equipment	\$ 19,184,618	\$ -	\$ -	\$ 19,184,618
Total capital assets being depreciated	<u>19,184,618</u>	<u>-</u>	<u>-</u>	<u>19,184,618</u>
Less accumulated depreciation for:				
Vehicles and equipment	<u>(6,113,132)</u>	<u>(1,865,737)</u>	<u>-</u>	<u>(7,978,869)</u>
Total accumulated depreciation	<u>(6,113,132)</u>	<u>(1,865,737)</u>	<u>-</u>	<u>(7,978,869)</u>
Capital assets, net	<u>\$ 13,071,486</u>	<u>\$(1,865,737)</u>	<u>\$ -</u>	<u>\$ 11,205,749</u>

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VCTC Intercity Services

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(6) Unearned Revenue

The balance of unearned revenue as of June 30, 2022, and 2021 consisted of California State University Channel Islands (“CSUCI”) funds, Santa Barbara County Association of Governments (“SBCAG”) funds, and a credit from Roadrunner Management Services for the amount of \$42,217 and \$72,876, respectively.

(7) Transportation Development Act Compliance Requirements

VCTC Intercity Services is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Section 99268.3 of the Public Utilities Code.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving moneys from the State Transit Assistance Fund in an amount which exceeds the claimant's capital and operating costs less the actual amount of fares received, the amount of local support required to meet the fare ratio, the amount of federal operating assistance, and the amount received during the year from a city or county to which the operator has provided services beyond its boundaries.

During the Fiscal Year 2021/22 and 2020/21 the funds received from the State Transit Assistance Fund complied with the above provision.

B. Section 99268.3

Section 99268.3 indicates that an operator in Ventura County providing regular public transportation shall be eligible for TDA funds if it maintains for the fiscal year, ratio of fare revenue to operating costs at least equal to 20%.

The fare revenue ratio for the year ended June 30, 2022, was as follows:

Farebox revenue*:	
Farebox revenue	\$ 322,080
Route guarantee – Santa Barbara County Association of Governments	826,622
Route guarantee – CSU Channel Islands	64,270
Route guarantee – Moorpark College	10,000
Organization paid fares	34,654
Total farebox revenue before AB149 – federal funds	<u>1,257,626</u>
AB149 – federal funds**	<u>478,000</u>
Total farebox revenue	<u>\$ 1,735,626</u>

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(7) Transportation Development Act Compliance Requirements (Continued)

Operating expenses:	\$ 10,759,816
Less depreciation	(1,814,281)
Less capital vehicle leases	<u>(267,480)</u>
Net adjusted operating expenses	<u>\$ 8,678,055</u>
Fare ratio	<u>20.00%</u>
Required fare ratio pursuant to PUC Section 99268.3	<u>20.00%</u>

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

** Per Assembly Bill 149, signed July 16, 2021, federal funds received are authorized to be counted as "local funds" for purposes of calculating the farebox recovery ratio through the 2022-23 fiscal year.

The fare revenue ratio for the year ended June 30, 2021, was as follows:

Farebox revenue***:	
Farebox revenue	\$ -
Route guarantee – Santa Barbara County Association of Governments	722,800
Route guarantee – CSU Channel Islands	<u>31,015</u>
Total farebox revenue	<u>\$ 753,815</u>
Operating expenses:	\$ 9,519,427
Less depreciation	(1,865,737)
Less capital vehicle leases	<u>(261,504)</u>
Net adjusted operating expenses	<u>\$ 7,392,187</u>
Fare ratio	<u>10.20%</u>
Required fare ratio pursuant to PUC Section 99268.3	<u>20.00%</u>

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

During the Fiscal Year 2020/21, VCTC maintained a ratio of fare revenues to operating costs of 10.20%. The ratio did not meet the minimum ratio of 20%.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(7) Transportation Development Act Compliance Requirements (Continued)

Due to the COVID-19 pandemic, VCTC suspended the collection of fares for services for the period July 1, 2020 through June 30, 2021. On June 29, 2020, the Governor of California signed Assembly Bill 90 which prohibits the imposition of a penalty on operators that do not maintain the required ratio of fare revenues to operating cost during the 2019-20 or 2020-21 fiscal years. Although the fare ratio requirement was not met, in accordance with Assembly Bill 90, there was no penalty.

C. Section 99314.6

Section 99314.6 states that funds shall be allocated for operating or capital purposes pursuant to Sections 99313 and 99314 to an operator if the operator meets an efficiency standard for either of two alternate measurement periods. The operator may use its entire allocation for operating purposes if the current period's total operating cost per revenue vehicle hour ("operating rate") does not exceed the preceding period's operating rate plus an amount equal to the percentage change in the regional Consumer Price Index ("CPI") multiplied by the preceding operating rate. The two alternate measurement methods are (1) the current year ("CY") compared to the prior year ("PY") and (2) the CY 3-year average (consecutive 3 years ending with the current year) compared to the PY year 3-year average (consecutive 3 years ending with the prior year).

If the operator fails to meet this standard, the funds shall be reallocated from operations to capital purposes. The allocation for operations is the total allocation reduced by the lower of the two percentages in which the operator exceeded the target operating rate. The remaining amount must be used for capital purposes.

During the Fiscal Year 2021/22, VCTC met the efficiency standard for both of the measurement methods. The calculation under the two methods is illustrated below.

	Single Year	3 Year Average
CY Operating Rate	\$ 137.56	\$ 141.79
PY Operating Rate	150.62	139.42
CPI Change %	8.59%	4.72%
CY Target Operating Rate	\$ 163.56	\$ 146.00
CY Operating Rate Under Target	\$ (26.00)	\$ (4.21)
CY Under Target %	(15.90)%	(2.88)%

VENTURA COUNTY TRANSPORTATION COMMISSION

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Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(7) Transportation Development Act Compliance Requirements (Continued)

VCTC met the efficiency standard requirement set by Section 99314.6 and is not required to allocate any State Transit Assistance funds for capital additions for Fiscal Year 2021/22.

During the Fiscal Year 2020/21, VCTC did not meet the efficiency standard for either measurement method. The calculation under the two methods is illustrated below.

	Single Year	3 Year Average
CY Operating Rate	\$ 150.62	\$ 139.42
PY Operating Rate	137.19	130.62
CPI Change %	3.99%	2.90%
CY Target Operating Rate	\$ 142.66	\$ 134.41
CY Operating Rate Over Target	\$ 7.96	\$ 5.01
CY Over Target %	5.58%	3.73%

The required capital apportionment amount for failing to meet the efficiency standard is calculated below:

State Transit Assistance funds	\$ 351,191
Allocation restricted to capital expenditure (3.73%)	\$ 13,099

VCTC allocated \$0 in State Transit Assistance funds for capital additions during Fiscal Year 2020/21, less than the required capital expenditure amount of \$13,099.

Due to the COVID-19 pandemic, VCTC suspended the collection of fares for services for the period July 1, 2020 through June 30, 2021. On June 29, 2020, the Governor of California signed Assembly Bill 90 which prohibits the imposition of a penalty on operators that do not meet the required efficiency standard during the 2019-20 or 2020-21 fiscal years. Although the efficiency standard was not met, which would have resulted in capital expenditure requirements, in accordance with Assembly Bill 90, the capital expenditure requirements were waived and there is no penalty.

VENTURA COUNTY TRANSPORTATION COMMISSION

VCTC Intercity Services

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(8) Organization Paid Fares

Implemented in Fiscal Year 2018/19, the College Easy Ride Pass Pilot Program allows students from Moorpark, Oxnard and Ventura Colleges, Cal State University Channel Islands, and Cal Lutheran University to ride the bus for free during the school year. This program is funded by the Low Carbon Transit Operations Program. These funds are used to reimburse the bus transit provider for the rides taken by the students. The organization paid fares received for the fiscal year ended June 30, 2022, and 2021 were \$34,654 and \$0, respectively.

(9) Investment Expense

Investment expense for the fiscal year ended June 30, 2022 was \$0. Investment expense for the fiscal year ended June 30, 2021 consists of fair value adjustment and investment income, where unrealized loss due to the fair value adjustment in Fiscal Year 2020/21 is greater than the investment income. Fair value adjustment and investment income for the fiscal year ended June 30, 2021, was as follows:

	<u>FY 2021</u>
Fair value adjustment	\$ 2,474
Investment income	<u>(1,425)</u>
Total investment expense	<u>\$ 1,049</u>

(10) Restrictions

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

(11) Contingencies

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



Board of Commissioners
Ventura County Transportation Commission
Ventura, California

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

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 Ventura County Transportation Commission's ("VCTC's") Intercity Fund, which is funded by Transportation Development Act Article 6.5, the Local Transportation Development Act Article 3 Local Transportation Fund, and Greenhouse Gas Reduction Fund – Low Carbon Transit Operations Program funds ("VCTC Intercity Fund"), as of and for the years ended June 30, 2022, and 2021, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered VCTC's internal control over financial reporting (internal control) as a basis for designing 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 VCTC's internal control. Accordingly, we do not express an opinion on the effectiveness of VCTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the VCTC Intercity Fund are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6667 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6667 of Part 21 of the California Code of Regulations.

Purpose of This Report

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



Lake Forest, California
December 6, 2022