

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

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 State Transit Assistance Fund ("STA Fund") of the Ventura County Transportation Commission ("VCTC"), 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 STA Fund of VCTC, as of June 30, 2022, and 2021, and the respective changes in financial position of the STA 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 STA 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 STA 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 Information

Our audit was conducted for the purpose of forming an opinion on financial statements of the STA Fund of VCTC. The *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Allocation and Disbursements by PUC Section*, listed as supplemental data in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements for the STA Fund of VCTC. The information has been subjected to the auditing procedures applied in the 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. In our opinion, the *Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, and Schedule of Allocation and Disbursements by PUC Section* are 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 a report dated December 13, 2022 on our consideration of VCTC's internal control over financial reporting for the STA Fund of VCTC and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VCTC's internal control over financial reporting and compliance.



Lake Forest, California
December 13, 2022

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Comparative Balance Sheets

June 30, 2022, and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Cash and investments (Note 3)	\$ 19,266,899	\$ 14,212,742
Due from other governments (Note 4)	2,489,245	1,729,400
Due from other funds (Note 5)	1,200,000	1,848,809
Interest receivable	<u>30,710</u>	<u>10,767</u>
 Total assets	 <u>\$ 22,986,854</u>	 <u>\$ 17,801,718</u>
 <u>Liabilities and fund balance</u>		
Due to other government	\$ 98,133	\$ -
Due to other fund	<u>1,510,266</u>	<u>203,398</u>
 Total liabilities	 <u>1,608,399</u>	 <u>203,398</u>
 Fund balance - restricted	 <u>21,378,455</u>	 <u>17,598,320</u>
 Total liabilities and fund balance	 <u>\$ 22,986,854</u>	 <u>\$ 17,801,718</u>

See accompanying notes to financial statements

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance

Fiscal Years Ended June 30, 2022, and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
State transportation allocation	\$ 8,762,831	\$ 6,708,854
Investment income	<u>-</u>	<u>1,491</u>
Total revenues	<u>8,762,831</u>	<u>6,710,345</u>
Expenditures:		
Allocations for current year claimants:		
Ventura County Transportation Commission	4,215,878	1,969,009
Local agencies pass-through	633,445	367,240
Investment expense	<u>219,101</u>	<u>-</u>
Total expenditures	<u>5,068,424</u>	<u>2,336,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,694,407</u>	<u>4,374,096</u>
Fund balance at beginning of year, as previously reported	17,598,320	13,224,224
Prior period adjustment (Note 6)	<u>85,728</u>	<u>-</u>
Fund balance at beginning of year, as restated	<u>17,684,048</u>	<u>13,224,224</u>
Fund balance at end of year	<u>\$ 21,378,455</u>	<u>\$ 17,598,320</u>

See accompanying notes to financial statements

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

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 State Transit Assistance Fund ("STA Fund") of the Ventura County Transportation Commission ("VCTC") only.

The State Transit Assistance Fund was created under the Transportation Development Act of the State of California to account for public transportation moneys derived from statewide sales tax. Payments from this fund are made by the Ventura County Auditor-Controller in accordance with written allocation instructions issued in compliance with the Act by VCTC.

(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 STA Fund as a Special Revenue Fund. Special Revenue Funds are used to account for and report on a particular source of revenue.

Measurement Focus and Basis of Accounting

Special Revenue Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are available if they are collected within 180 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred.

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, Sections 99313 and 99314 are recognized in the period when all eligibility requirements have been met.

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

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

A deferred inflow of resources arises when potential revenues do not meet both the measurable and availability criteria for recognition in the current period. Deferred inflows of resources also arise when VCTC receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualified expenditures. In subsequent periods, when both revenue recognition criteria are met, or when VCTC has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and revenue is recognized.

Fund Balance

The components of the fund balances of governmental funds reflect the component classifications described below.

- *Nonspendable Fund Balance* – this includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- *Restricted Fund Balance* – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed Fund Balance* – this includes amounts that can be used only for the specific purposes determined by a formal action of the Board of Commissioners.
- *Assigned Fund Balance* – this includes amounts that are intended to be used by VCTC for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned Fund Balance* – this includes any deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

It is VCTC's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Board of Commissioners.

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

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

Use of Estimates

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

(3) **Cash and Investments**

Cash and investments are held by the County of Ventura ("County"). The County has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The balance in the pool account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The STA Fund's cash and investments as of June 30, 2022, and 2021 were \$19,266,899 and \$14,212,742, respectively.

The STA Fund's cash is deposited in the County'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 STA Fund are those of the County and are included in the County's basic financial statements.

See the County'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 State of California pursuant to California Public Utilities Code, Sections 99313 and 99314, totaling \$2,489,245 and \$1,729,400 for the years ended June 30, 2022, and 2021, respectively.

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Notes to Financial Statements

Fiscal Years Ended June 30, 2022, and 2021

(5) Due from Other Funds

On September 7, 2018, the Commission approved, via Agenda Item 8K, an internal cash flow loan of State Transit Assistance funds to the General Fund for cash flow management of the U.S. 101 HOV (PAED) project. This loan is non-interest bearing and will be repaid when the project is completed, and expenses are reimbursed by the state. The total internal cash flow loan amount is \$1,200,000. It is anticipated that the full funds will be returned in 2023. In Fiscal Year 2020/21, \$648,809 was due from the Proprietary Fund representing a temporary timing difference between when transactions were recorded in the accounting system and when payments were made. The STA Fund's due from other funds as of June 30, 2022, and 2021 were \$1,200,000 and \$1,848,809, respectively.

(6) Prior Period Adjustment

VCTC determined that an invoice from November 2020 was charged to the STA 6.5 fund instead of the SGR fund. This resulted in the STA 6.5 fund balance being understated by \$85,728 for Fiscal Year 2020/21. VCTC made an adjusting entry in February 2022 to reclassify the expenditure from STA 6.5 to SGR and recorded a prior period adjustment as of July 1, 2021 to correct this misstatement. Expenditures incurred by VCTC in Fiscal Year 2020/21 decreased by \$85,728 resulting in a fund balance increasing from \$17,598,320 to \$17,684,048.

(7) Restrictions

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

(8) Contingencies

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

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Notes to Financial Statements

Fiscal Years Ended June 30, 2020 and 2019

(9) Budgetary Data

VCTC adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America and utilizes an encumbrance system as a management control technique to assist in controlling expenditures and enforcing revenue provisions. Under this system, the current year expenditures are charged against appropriations. Accordingly, actual revenues and expenditures can be compared with related budget amounts without any significant reconciling items.

Supplemental Data

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

Fiscal Year Ended June 30, 2022

	Budget		Actual	Variance From
	Original	Final		Final Budget Favorable (Unfavorable)
Revenues:				
State transportation allocation	\$ 6,764,938	\$ 6,764,938	\$ 8,762,831	\$ 1,997,893
Investment income	80,000	80,000	-	(80,000)
Total revenues	6,844,938	6,844,938	8,762,831	1,917,893
Expenditures:				
Allocations for current year claimants:				
Ventura County Transportation Commission	7,612,786	6,708,668	4,215,878	2,492,790
Local agencies pass-through	333,404	810,191	633,445	176,746
Investment expense	-	-	219,101	(219,101)
Total expenditures	7,946,190	7,518,859	5,068,424	2,450,435
Excess (deficiency) of revenues over (under) expenditures	\$ (1,101,252)	\$ (673,921)	3,694,407	\$ 4,368,328
Fund balance at beginning of year, as previously reported			17,598,320	
Prior period adjustment (Note 6)			85,728	
Fund balance at beginning of year, as restated			17,684,048	
Fund balance at end of year			\$ 21,378,455	

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Schedule of Revenues, Expenditures,
and Changes in Fund Balance – Budget and Actual

Fiscal Year Ended June 30, 2021

	Budget		Actual	Variance From Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
State transportation allocation	\$ 7,366,477	\$ 7,366,477	\$ 6,708,854	\$ (657,623)
Investment income	90,000	90,000	1,491	(88,509)
	<u>7,456,477</u>	<u>7,456,477</u>	<u>6,710,345</u>	<u>(746,132)</u>
Total revenues				
Expenditures:				
Allocations for current year claimants:				
Ventura County Transportation Commission	5,339,931	6,132,581	1,969,009	4,163,572
Local agencies pass-through	471,000	844,027	367,240	476,787
	<u>5,810,931</u>	<u>6,976,608</u>	<u>2,336,249</u>	<u>4,640,359</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,645,546</u>	<u>\$ 479,869</u>	<u>4,374,096</u>	<u>\$ 3,894,227</u>
Fund balance at beginning of year			<u>13,224,224</u>	
Fund balance at end of year			<u>\$ 17,598,320</u>	

VENTURA COUNTY TRANSPORTATION COMMISSION

State Transit Assistance Fund

Schedule of Allocation and Disbursements
by PUC Section

Fiscal Year Ended June 30, 2022

	STA PUC Section		Total
	99313	99314	
Allocations:			
Amounts apportioned	\$ 7,536,786	\$ -	\$ 7,536,786
VCTC for Southern California Regional Rail Authority	-	793,745	793,745
Local agencies pass-through	-	432,300	432,300
 Total allocations	 \$ 7,536,786	 \$ 1,226,045	 \$ 8,762,831

	STA PUC Section				Total
	6730 (a) Operating Cost	6730 (a) Capital	6730 (b) Operating Cost	6730 (b) Capital	
Disbursements:					
Public transportation system costs:					
Ventura County Transportation Commission	\$ 3,486,245	\$ -	\$ 729,633	\$ -	\$ 4,215,878
Local agencies pass-through	633,445	-	-	-	633,445
 Total disbursements	 \$ 4,119,690	 \$ -	 \$ 729,633	 \$ -	 \$ 4,849,323



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 statement of the State Transit Assistance Fund (“STA Fund”) of the Ventura County Transportation Commission (“VCTC”), 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 13, 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 STA Fund of VCTC are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including §6666 of Part 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the 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 §6666 of Part 21 of the California Code of Regulations.

Purpose of This Report

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

Conrad LLP

Lake Forest, California
December 13, 2022