

VENTURA COUNTY TRANSPORTATION COMMISSION

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code and
Article 8, Section 99400(c) Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

VENTURA COUNTY TRANSPORTATION COMMISSION

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code and
Article 8, Section 99400(c) Public Utilities Code

Fiscal Years Ended June 30, 2023 and 2022

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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 Transportation Development Act ("TDA") Article 4, Section 99260 funds and Article 8, Section 99400(c) funds ("TDA Valley Express Fund") of the Ventura County Transportation Commission ("VCTC"), as of and for the years ended June 30, 2023, and 2022, 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 TDA Valley Express Fund of VCTC, as of June 30, 2023, and 2022, and the respective changes in financial position and, where applicable, cash flows thereof of the TDA Valley Express 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 TDA Valley Express Fund of VCTC and do not purport to, and do not present fairly, the financial position of VCTC as of June 30, 2023, and 2022, 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 TDA Valley Express 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 November 27, 2023 on our consideration of VCTC's internal control over financial reporting for the TDA Valley Express 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.

A handwritten signature in blue ink that reads "Conrad LLP". The signature is written in a cursive, slightly slanted style.

Lake Forest, California
November 27, 2023

VENTURA COUNTY TRANSPORTATION COMMISSION

Transportation Development Act Local Transportation Fund
Article 4 Section 99260 Public Utilities Code and
Article 8, Section 99400(c) Public Utilities Code

Comparative Statement of Net Position

June 30, 2023 and 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and investments (Note 3)	\$ 667,663	\$ 645,256
Accounts receivable	250	803
Due from government	296,192	190,817
Interest receivable	<u>4,086</u>	<u>1,155</u>
Total assets	<u>968,191</u>	<u>838,031</u>
<u>Liabilities</u>		
Accounts payable	610,850	410,204
Unearned revenues (Note 4)	<u>357,341</u>	<u>427,827</u>
Total liabilities	<u>968,191</u>	<u>838,031</u>
<u>Net position</u>		
Restricted for transportation	<u>-</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

Transportation Development Act Local Transportation Fund
Article 4 Section 99260 Public Utilities Code and
Article 8, Section 99400(c) Public Utilities Code

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

For the Fiscal Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Passenger fares for transit services	\$ 42,856	\$ 40,271
Organization paid fares (Note 5)	<u>23,011</u>	<u>264</u>
Total operating revenues	<u>65,867</u>	<u>40,535</u>
Operating expenses:		
Operations	<u>2,103,412</u>	<u>1,688,165</u>
Total operating expenses	<u>2,103,412</u>	<u>1,688,165</u>
Operating loss	<u>(2,037,545)</u>	<u>(1,647,630)</u>
Non-operating revenues:		
FTA grants	1,092,730	944,639
Local transportation allocation, article 8(c)	709,290	538,494
Local transportation allocation, article 4	228,698	172,151
Interest income (Note 6)	<u>6,827</u>	<u>-</u>
Total non-operating revenues	<u>2,037,545</u>	<u>1,655,284</u>
Non-operating expenses:		
Investment expense (Note 6)	<u>-</u>	<u>7,654</u>
Total non-operating expenses	<u>-</u>	<u>7,654</u>
Change in net position	-	-
Net position at beginning of year	<u>-</u>	<u>-</u>
Net position at end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

Transportation Development Act Local Transportation Fund
Article 4 Section 99260 Public Utilities Code and
Article 8, Section 99400(c) Public Utilities Code

Comparative Statement of Cash Flows

For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Cash flow from operating activities:		
Cash received from passenger fares	\$ 63,406	\$ 26,241
Cash paid for operating costs, net of support	<u>(1,902,766)</u>	<u>(1,516,983)</u>
Net cash used for operating activities	<u>(1,839,360)</u>	<u>(1,490,742)</u>
Cash flow from non-capital financing activities:		
Cash received from FTA federal grant	990,368	1,024,834
Cash received from local transportation fund, article 4 and 8(c)	937,988	710,645
Cash paid for local revenues	<u>(70,486)</u>	<u>(87,142)</u>
Net cash provided by noncapital financing activities	<u>1,857,870</u>	<u>1,648,337</u>
Cash flow from capital financing activities:		
The VCTC Valley Express fund had no capital financing activity in fiscal years 2022-23 and 2021-22.	<u>-</u>	<u>-</u>
Net cash used for capital financing activities	<u>-</u>	<u>-</u>
Cash from investing activities:		
Cash received/(paid) from/to interest received from investments	<u>3,897</u>	<u>(8,656)</u>
Net cash provided/(used) by/for investing activities	<u>3,897</u>	<u>(8,656)</u>
Net increase/(decrease) in cash and investments	22,407	148,939
Cash and investments, beginning of year	<u>645,256</u>	<u>496,317</u>
Cash and investments, end of year	<u>\$ 667,663</u>	<u>\$ 645,256</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	<u>\$ (2,037,545)</u>	<u>\$ (1,647,630)</u>
Changes in operating assets and liabilities:		
Increase in accounts receivable	(2,461)	(14,684)
Decrease in prepaids	-	390
Increase in accounts payable	<u>200,646</u>	<u>171,182</u>
Total adjustments	<u>198,185</u>	<u>156,888</u>
Net cash used for operating activities	<u>\$ (1,839,360)</u>	<u>\$ (1,490,742)</u>

Non-cash investing, capital, and financing activities:

The VCTC Valley Express fund had no non-cash financing activity in fiscal years 2022-23 and 2021-22.

See accompanying notes to financial statements.

VENTURA COUNTY TRANSPORTATION COMMISSION

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(1) **General Information**

The financial statements are intended to reflect the financial position and changes in financial position for the Article 4, Section 99260 and Article 8, Section 99400(c) Transportation Development Act Local Transportation Funds (“TDA Valley Express Fund” or “Fund”) of the Ventura County Transportation Commission (“VCTC”) only.

Pursuant to Section 99400(c) of the California Public Utilities Code, Article 8 monies may be used only for facilities provided for the exclusive use of transportation services, including the planning, acquisition of real property, construction of facilities and buildings, purchase and replacement of vehicles, and system operation, maintenance, and repair. Pursuant to Section 99260 of the California Public Utilities Code, Article 4 monies may be used for the support of public transportation systems.

(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 Article 4, Section 99260 and Article 8, Section 99400(c) funds 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.

The Fund 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.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

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

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 (“TDA”) Article 4, Section 99260 and Article 8, Section 99400(c) of the Public Utilities Code possess the characteristic of a voluntary nonexchange transaction similar to a grant. Revenues under TDA Article 4, Section 99260 and Article 8, Section 99400(c) 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.
- *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.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(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**

VCTC 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 TDA Valley Express Fund's cash and investments as of June 30, 2023 and 2022 were \$667,663 and \$645,256, respectively.

The TDA Valley Express 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 TDA Valley Express 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) **Unearned Revenues**

The TDA Valley Express funds allocated to VCTC for transportation services are considered earned when they are properly spent for the specific projects authorized. Allocations and any interest received but not used are recorded as unearned revenues.

VENTURA COUNTY TRANSPORTATION COMMISSION

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(4) Unearned Revenues (Continued)

The balance of unearned revenues as of June 30, 2023 and 2022 consists of the following:

	<u>FY 2022/23</u>	<u>FY 2021/22</u>
City of Santa Paula TDA Article 8(c)	\$ 155,917	\$ 176,494
City of Fillmore TDA Article 8(c)	114,814	138,650
Ventura County TDA Article 4	<u>86,610</u>	<u>112,683</u>
Total unearned revenue	<u>\$ 357,341</u>	<u>\$ 427,827</u>

(5) Organization Paid Fares

Implemented in Fiscal Year 2018/2019, 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. In Fiscal Years 2022/2023 and 2021/2022, \$23,011 and \$264, respectively in organization paid fares were collected.

(6) Investment Income

Investment income for the fiscal year ended June 30, 2023 consists of fair value adjustment and investment income, where unrealized loss due to the fair value adjustment in Fiscal Year 2022/23 is less than the investment income. However, investment expense for the fiscal year ended June 30, 2022 consists of fair value adjustment and investment income, where unrealized loss due to the fair value adjustment in Fiscal Year 2021/22 is greater than the investment income. Fair value adjustment and investment income for the fiscal year ended June 30, 2023 and 2022, were as follows:

	<u>FY 2022/23</u>	<u>FY 2021/22</u>
Fair value adjustment	\$ (198)	\$ (9,606)
Investment income	<u>7,025</u>	<u>1,952</u>
Total investment income	<u>\$ 6,827</u>	<u>\$ (7,654)</u>

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) **Transportation Development Act Compliance Requirements**

The Transportation Development Act Local Transportation Fund is subject to the provisions pursuant to Sections 6633, and 6634 of the California Code of Regulation and 99268.5(c) of the Public Utilities Code.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the Local Transportation 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 Years 2022/23 and 2021/22, the funds received from the Local Transportation Fund complied with the above provision.

B. Sections 6633, and 99268.5(c)

Section 6633.2 indicates that an operator in providing transit services in urbanized areas shall be eligible for Local Transportation funds if it maintains for the fiscal year, ratio of fare revenue to operating costs at least equal to 20%. An operator providing services in non-urbanized areas shall be eligible if it maintains a ratio at least equal to 10%.

In addition, Section 99268.5(c) indicates that an operator providing combined specialized services for elderly and handicapped persons and regular public transportation shall be eligible for Local Transportation Funds if it maintains for the fiscal year, a ratio of fare revenue to operating costs at least equal to 20%. An operator providing services in non-urbanized areas shall be eligible if it maintains a ratio at least equal to 10%.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Transportation Development Act Compliance Requirements (Continued)

During the Fiscal Years 2022/23 and 2021/22, the TDA Valley Express program complied with the above ratio requirement provision.

The fare ratio for the year ended June 30, 2023, was as follows:

Fares:	
Farebox revenue	\$ 65,867
Total farebox revenue before AB149 – federal funds	<u>65,867</u>
AB149 – federal funds*	<u>16,200</u>
Total farebox revenue	<u>\$ 82,067</u>
Operating expenses:	\$ 2,103,412
Less AB149 adjustments**	<u>(1,282,987)</u>
Net adjusted operating expenses	<u>\$ 820,425</u>
Fare ratio	<u>10.00%</u>
Required fare ratio pursuant to PUC Section 99268.5(c)	<u>10.00%</u>

* 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.

** In accordance with AB149 Section 99268.17, costs required to operate demand-response and microtransit services that expand access to transit service beyond fixed route corridors shall be excluded from "operating cost" for the purposes of calculating any required ratios of fare revenues to operating cost.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(7) Transportation Development Act Compliance Requirements (Continued)

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

Fares:	
Farebox revenue	\$ 40,535
Total farebox revenue before AB149 – federal funds	<u>40,535</u>
AB149 – federal funds*	<u>31,650</u>
Total farebox revenue	<u>\$ 72,185</u>
Operating expenses:	\$ 1,688,165
Less AB149 adjustments**	<u>(966,251)</u>
Net adjusted operating expenses	<u>\$ 721,914</u>
Fare ratio	<u>10.00%</u>
Required fare ratio pursuant to PUC Section 99268.5(c)	<u>10.00%</u>

* 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.

** In accordance with AB149 Section 99268.17, costs required to operate demand-response and microtransit services that expand access to transit service beyond fixed route corridors shall be excluded from "operating cost" for the purposes of calculating any required ratios of fare revenues to operating cost.

(8) Restrictions

Funds received pursuant to the California Public Utilities Code §99260 and §99400(c) (TDA Article 4 and 8(c)) may only be used for facilities provided for exclusive use of transportation services, including the planning, acquisition of real property, construction of facilities and buildings, purchase and replacement of vehicles, and system operation, maintenance, and repair.

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Notes to Financial Statements

Fiscal Years Ended June 30, 2023 and 2022

(9) **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 Transportation Development Act Local Transportation Fund pursuant to Article 4 and Article 8(c) ("TDA Valley Express Fund") of the Ventura County Transportation Commission ("VCTC"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2023.

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 TDA Valley Express 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 §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
November 27, 2023