

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Fiscal Years Ended June 30, 2024 and 2023

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Board of Commissioners
Ventura County Transportation Commission
Camarillo, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the Local Transportation Funds (“LTF Fund”) Fund of the Gold Coast Transit District (“District”), as of and for the year ended June 30, 2024, 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 LTF Fund of the District, as of June 30, 2024, and the respective changes in financial position of the LTF Fund of the District for the year 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 for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 LTF Fund of the District and do not purport to, and do not present fairly, the financial position of the District as of June 30, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 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 LTF Fund of the District'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 Matters

Prior Year Comparative Information

The financial statements of the District as of June 30, 2023, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in its report dated March 14, 2024.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 18, 2024 on our consideration of the District's internal control over financial reporting for the LTF 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 the District's internal control over financial reporting and compliance.

ASM LLP

Rancho Santa Margarita, California
December 18, 2024

GOLD COAST TRANSIT DISTRICT

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Comparative Statement of Net Position

June 30, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Cash and investments (Note 3)	\$ 1,528,235	\$ 2,746,970
Total assets	<u>1,528,235</u>	<u>2,746,970</u>
 <u>Liabilities</u>		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
 <u>Net position</u>		
Restricted (Note 4)	<u>1,528,235</u>	<u>2,746,970</u>
Total net position	<u>\$ 1,528,235</u>	<u>\$ 2,746,970</u>

See accompanying notes to financial statements

GOLD COAST TRANSIT DISTRICT

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

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

Fiscal Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues (Note 4):		
Passenger fares for transit services	\$ -	\$ -
Total operating revenues	<u>-</u>	<u>-</u>
Operating expenses (Note 4):		
Operating	<u>20,269,631</u>	<u>18,946,059</u>
Total expenses	<u>20,269,631</u>	<u>18,946,059</u>
Operating loss (Note 4)	<u>(20,269,631)</u>	<u>(18,946,059)</u>
Non-operating revenues (Note 4):		
Local transportation funding	19,367,275	19,024,256
Interest income (expense)	<u>17,236</u>	<u>15,682</u>
Total non-operating revenues	<u>19,384,511</u>	<u>19,039,938</u>
Income (loss) before transfers (Note 4)	<u>(885,120)</u>	<u>93,879</u>
Transfers out - debt payment (Note 4 and 5)	<u>(333,615)</u>	<u>(257,878)</u>
Change in net position	<u>(1,218,735)</u>	<u>(163,999)</u>
Net position at beginning of year	<u>2,746,970</u>	<u>2,910,969</u>
Net position at end of year	<u>\$ 1,528,235</u>	<u>\$ 2,746,970</u>

See accompanying notes to financial statements

GOLD COAST TRANSIT DISTRICT

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Comparative Statement of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Cash flow from operating activities:		
Cash paid for operating costs, net of support (Note 4)	\$ (20,269,631)	\$ (18,946,059)
Net cash used for operating activities	(20,269,631)	(18,946,059)
Cash flow from noncapital financing activities:		
Cash received from local transportation fund (LTF)	19,367,275	19,024,256
Cash paid to other funds (Note 4)	-	-
Net cash provided by noncapital financing activities	19,367,275	19,024,256
Cash flows from capital financing activities:		
Transfer to other fund - debt payment (Note 4 and 5)	(333,615)	(257,878)
Net cash used for capital financing activities	(333,615)	(257,878)
Cash flows from investing activities:		
Cash received from investments	17,236	15,682
Net cash provided by investing activities	17,236	15,682
Net decrease in cash and investments	(1,218,735)	(163,999)
Cash in county treasury:		
Cash and investments, beginning of year	2,746,970	2,910,969
Cash and investments, end of year	\$ 1,528,235	\$ 2,746,970

See accompanying notes to the financial statements.

GOLD COAST TRANSIT DISTRICT

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Comparative Statement of Cash Flows
For the Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of operating income to net cash (used in) operating activities:		
Operating income (loss) (Note 4)	<u>\$ (20,269,631)</u>	<u>\$ (18,946,059)</u>
Changes in operating assets and liabilities (Note 4): (Increase)/decrease due from other government agencies	-	-
Total adjustments	-	-
Net cash (used) by operating activities	<u><u>\$ (20,269,631)</u></u>	<u><u>\$ (18,946,059)</u></u>

Noncash investing, capital, and financing activities:

The LTF Fund had no non-cash financing activity in fiscal years 2023/24, and 2022/23.

See accompanying notes to the financial statements.

GOLD COAST TRANSIT DISTRICT

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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(1) General Information

On July 1, 2014, Gold Coast Transit became Gold Coast Transit District (“District”) as the result of state legislation signed by Governor Brown in October 2013. As a Transit District, the District is entitled to claim the entire amount of state Local Transportation Fund (“LTF Fund”) funding apportioned by population to its member jurisdictions. The District’s enabling legislation also allows District members to claim from the District a portion of its LTF funds for eligible transit services (not provided by the District) that the member funds or operates.

The District receives LTF Funding under provisions of the State of California’s Transportation Development Act of 1971 (“TDA”). This act provides that a portion of state sales tax proceeds be made available for support and development of public transportation. These funds are generated within the County of Ventura (“County”) and are allocated based on annual claims filed by the District and approved by the Ventura County Transportation Commission (“VCTC”). A portion of these proceeds (at the discretion of the District’s Board of Directors) may be set aside to fund capital acquisitions and is classified as local transportation funding in the nonoperating section of the statement of activities and changes in net position. The remaining portion of local transportation funding is used to subsidize current operations.

The financial statements present only the activity of the LTF Funds of the District and are not intended to present the financial position or changes in financial position of the District, or member claimants, in conformity with accounting principles generally accepted in the United States of America.

(2) Summary of Significant Accounting Policies

Fund Accounting

The funds of the District 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. The District funds for the activity of the Article 4 funds in its 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.

GOLD COAST TRANSIT DISTRICT

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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(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 the District. Revenues under TDA Article 4 are recognized in the period when all eligibility requirements have been met. 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 the District 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 the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet, and revenue is recognized.

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 the District's policy that restricted resources will be applied first, followed by unrestricted resources, in the absence of a formal policy adopted by Board of Directors.

Amounts Due from Other Governments

Generally, amounts due from other governments are recorded as revenues when received. However, when expenditures of funds are the prime factor for determining eligibility for grants, revenues are accrued when the expenditures have been made on approved grants.

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(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 reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Cash and Investments

The District 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 LTF Fund's cash and investments as of June 30, 2024 and 2023 were \$1,528,235 and \$2,746,970, respectively.

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

See the District's Annual Comprehensive Financial Report ("ACFR") for disclosures related to cash and investments, including those disclosures relating to demand deposits, custodial credit risk, interest rate risk, credit rate risk, fair value, and concentration of credit risk.

(4) Change in Presentation

The presentation of the Comparative Statement of Revenues, Expenses, and Changes in Net Position, as well as certain prior year amounts, has been reclassified to align with the current year's presentation. Similarly, certain prior year amounts in the Comparative Statement of Cash Flows have been reclassified for consistency. These reclassifications did not impact the reported results of operations.

An adjustment has also been made to the Comparative Statement of Revenues, Expenses, and Changes in Net Position and the Comparative Statement of Cash Flows for the fiscal year ended June 30, 2023, to more accurately reflect the activity of an Enterprise Fund.

GOLD COAST TRANSIT DISTRICT

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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(5) Transfers Out

On March 2, 2017, the District issued Series 2017 Certificates of Participation (“2017 COPs”) with a par value of \$22,000,000 to finance the construction of its new operations and maintenance facility. Farebox revenues were pledged for the repayment of these certificates. The 2017 COPs carry coupon interest rates ranging from 4.00% to 5.25% and include a net issuance premium of \$1,716,093, which is being amortized over the life of the debt service. The certificates are scheduled to mature on July 1, 2047, with interest payments due semi-annually on July 1 and January 1. Principal payments, ranging from \$340,000 to \$1,350,000, are due annually on July 1.

For the fiscal years ended June 30, 2024, and June 30, 2023, GCTD reported transfers out - debt payment in the amounts of \$333,615 and \$257,878, respectively. These amounts represent the portion of the 30-year debt payment funded by LTF revenues.

See District’s ACFR for disclosures related to the 2017 COPs debt.

(6) Transportation Development Act Compliance Requirements

The District is subject to the provisions pursuant to Section 6634 of the California Code of Regulations and Sections 99268.3 and 99314.6 of the Public Utilities Code.

A. Section 6634

Pursuant to Section 6634, a transit claimant is precluded from receiving monies from the LTF 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 fiscal year 2023/24, the funds received from the LTF Fund complied with the above provision.

B. Section 99268.3

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

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(6) Transportation Development Act Compliance Requirements (Continued)

The fixed route, paratransit, and demand response fare revenue ratios for the fiscal year ending June 30, 2024, were as follows:

	<u>Fixed Route</u>	<u>Demand Response</u>
Farebox revenue	\$ 1,609,615	\$ 222,054
Route guarantee:		
Local Route Guarantee - Fixed Route	3,262	-
LCTOP - Fare support/ free fare days	1,897,503	-
LCTOP Support for Route 23	72,142	-
LCTOP Fare Support Program College Pass	53,572	-
Program:		
Organization paid fares	184,762	117,139
Other revenue	<u>948,208</u>	<u>-</u>
Total farebox revenue before AB 149 - federal funds	<u>4,769,064</u>	<u>339,193</u>
AB 149 - federal funds *	<u>490,000</u>	<u>402,500</u>
Total farebox revenue	<u>5,259,064</u>	<u>741,693</u>
Operating expenses:	31,694,648	7,489,132
Less depreciation	(3,724,840)	(71,550)
Less Route 23 service	<u>(1,678,188)</u>	<u>-</u>
Net adjusted operating expenses	<u>\$ 26,291,620</u>	<u>\$ 7,417,582</u>
Fare ratio	<u>20.00%</u>	<u>10.00%</u>
Required fare ratio pursuant to PUC Section 99268.3	<u>20.00%</u>	<u>10.00%</u>

Note:

* 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. State Bill 125 extended these exemptions through fiscal year 2025/26.

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(6) Transportation Development Act Compliance Requirements (Continued)

The fixed route, paratransit, and Demand Response fare revenue ratio for the fiscal year ending June 30, 2023, was as follows:

	<u>Fixed Route</u>	<u>Demand Response</u>
Farebox revenue	\$ 1,551,740	\$ 131,400
Route guarantee:		
Local Route Guarantee - Fixed Route	3,569	-
LCTOP - Fare support/ free fare days	473,762	-
LCTOP Support for Route 23	79,092	-
LCTOP Fare Support Program College Pass Program	368,513	-
Organization paid fares	558,352	54,163
Other revenue	<u>782,721</u>	<u>-</u>
Total farebox revenue before AB 149 - federal funds	<u>3,817,749</u>	<u>185,563</u>
AB 149 - federal funds *	<u>1,490,216</u>	<u>536,497</u>
Total farebox revenue	<u>5,307,965</u>	<u>722,060</u>
Operating expenses:	32,600,361	3,709,634
Less depreciation	(3,454,690)	(99,339)
Less Debt service expense	(911,818)	-
Less Route 23 service	<u>(1,694,031)</u>	<u>-</u>
Net adjusted operating expenses	<u>\$26,539,822</u>	<u>\$3,610,295</u>
Fare ratio	<u>20.00%</u>	<u>20.00%</u>
Required fare ratio pursuant to PUC Section 99268.3	<u>20.00%</u>	<u>10.00%</u>

Note:

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

GOLD COAST TRANSIT DISTRICT

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Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(6) Transportation Development Act Compliance Requirements (Continued)

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 2023/24, the District did not meet the efficiency standard for either measurement method. The calculation under the two methods is illustrated below.

	<u>Single Year</u>	<u>3 Year Average</u>
CY Operating Rate	\$ 13.85	\$ 13.01
PY Operating Rate	13.22	12.25
CPI Change %	3.00%	5.00%
CY Target Operating Rate	13.61	12.87
CY Operating Rate Over/(Under) Target	\$ 0.24	\$ 0.14
CY Over/(Under) Target %	1.72%	1.11%

Although the efficiency standard was not met, which would have resulted in capital expenditure requirements, in accordance with Assembly Bill 149, the capital expenditure requirements were waived and there is no penalty. State Bill 125 extended these exemptions through fiscal year 2025/26.

GOLD COAST TRANSIT DISTRICT

Transportation Development Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Notes to Financial Statements

Fiscal Years Ended June 30, 2024 and 2023

(7) Restrictions

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

(8) Contingencies

See the District’s ACFR for disclosures related to contingencies including those relating to various legal actions, administrative proceedings, or claims in the ordinary course of operations.

Supplementary Information

GOLD COAST TRANSIT DISTRICT

Transportation Development Act Local Transportation Fund
Article 4, Section 99260 Public Utilities Code

Schedule of Amounts Allocated and Disbursed

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<u>Allocations, disbursements, and payables</u>		
City of Ojai	\$ 142,728	\$ 133,596
City of Oxnard	655,978	398,481
City of Port Hueneme	-	-
City of San Buenaventura	280,806	278,264
County of Ventura	935,584	997,597
Gold Coast Transit District	<u>19,367,275</u>	<u>19,024,257</u>
Total allocations, disbursements, and payables	<u>\$ 21,382,371</u>	<u>\$ 20,832,195</u>



Board of Commissioners
Ventura County Transportation Commission
Camarillo, 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 Local Transportation Fund ("LTF Fund") pursuant of the Gold Coast Transit District ("District"), as of and for the fiscal year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's TDA Fund financial statements, and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 LTF Fund of the District 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, including §6666 of Part 21 of the California Code of Regulations, §99268 and §99268.5 of the Public Utilities Code.

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.

ASM LLP

Rancho Santa Margarita, California
December 18, 2024